

EXHIBIT 1

Measuring Governance, Corruption, and State Capture

How Firms and Bureaucrats Shape the Business Environment in Transition Economies

Joel S. Hellman
Geraint Jones
Daniel Kaufmann
Mark Schankerman

The World Bank
World Bank Institute
Governance, Regulation and Finance
and
European Bank for Reconstruction and Development
Chief Economist's Office
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In a new approach to measuring typically "subjective" variables, BEEPS—the 1999 Business Environment and Enterprise Performance Survey, the transition economies component of the World Business Environment Survey—quantitatively assesses governance from the perspective of about 3,000 firms in 20 countries. Unbundling the measurement of governance and corruption empirically suggests the importance of grand corruption in some countries, manifested in state capture by the corporate sector—through the "purchase" of decrees and legislation—and by graft in procurement.



ployees and internationalisation (including degree of foreign ownership and level of exports). These questions, in addition to providing information on the responding firm for use in its own right, were used to establish sample quotas. The sample selection procedure will be described in section 3.

The main questionnaire contains over 70 questions. The focus of this paper is on the governance-related questions; other questions will be addressed elsewhere. The aspects of the investment climate with which the survey deals can be classified broadly into macro- and micro- dimensions as follows:

Institutions and Policies—Macro-dimensions

This section deals with a broad range of issues relating to the efficiency and efficacy of government institutions and policies. Firms were asked to rate the quality of public services across a number of dimensions including central government, parliament, the judiciary, utilities and the police, and to evaluate how serious various institutional obstacles are for their business, ranging across macro- and micro-economic policy, crime and corruption. Questions were asked about the legal system and its ability to protect property and contract rights and the predictability and transparency of policy making. Finally, firms were asked about the extent to which they use barter, which is symptomatic of major institutional failure.

Bureaucracy, State Intervention and Corruption—Micro-dimensions

In contrast to the above questions which focus on the public goods and institutional environment provided or not provided by the state, the second set of questions investigates the nature of the direct interactions between firms and the state. This includes not only an analysis of the extent and types of state intervention in the operations of firms, but also the ways in which firms seek to influence the state. On corruption, firms were asked about the extent and frequency of bribery, the recipients of bribes and the nature of the corrupt transaction. Finally, firms were asked about the specific benefits they receive from the state in the form of subsidies and toleration of arrears.

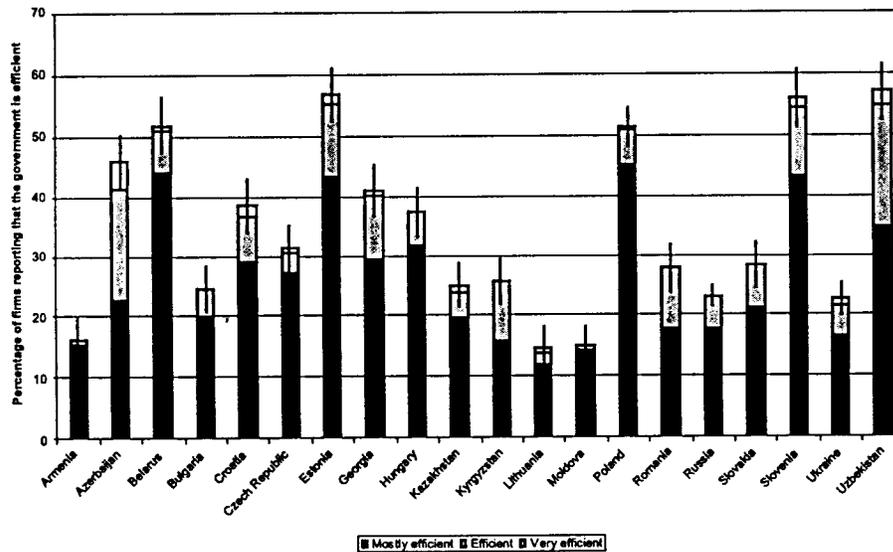
3. Implementation and Methodology

The survey instrument was prepared in English and then translated into the national language of each country. To ensure accuracy of translation the survey was independently translated back into English. The survey was extensively piloted in each of the countries in which it was implemented to ensure that respondents correctly understood the questions. As a quality-control measure, a sub-sample of respondents was telephoned on the following day and the responses to key questions checked for consistency.

Overall Perceptions of Government Services

In addition to the previous questions focusing on detailed aspects of governance, it is useful to capture in a single measure a summary of the respondents' perceptions about the efficiency of the government. Although crude, such a measure is likely to be at least as important as consideration of particular institutional problems when firms make major decisions such as investment. Figure 5.22 presents the responses on this issue.

Figure 5.22: How would you rate the efficiency of government in delivering services?

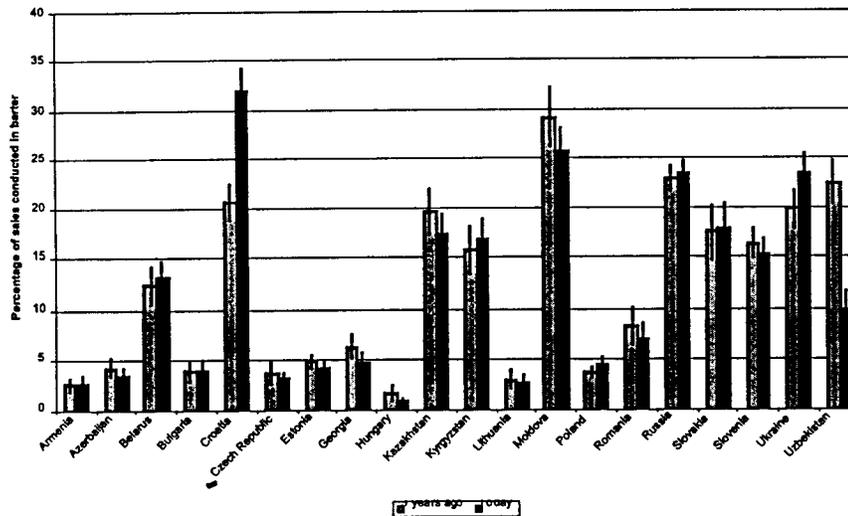


Responses: 1 Very Efficient 2 Efficient 3 Mostly Efficient 4 Mostly inefficient 5 Inefficient 6 Very inefficient Percentage of firms responding 1 2 or 3

Barter

Large economic distortions are associated with the use of barter as the means of payment. Figure 5.23 shows the average percentage of sales which firms conduct in barter.

Figure 5.23: What share of your firm's sales are now conducted in barter, offsets or bills of exchange (money surrogates), today and three years ago?



Responses: None 1-9% 10-25% 26-50% 51-75% 76-100% Midpoint of each category taken as representative to calculate the mean

Bureaucracy and State Intervention in the Firm—Micro Dimensions of Governance

THE REGULATORY ENVIRONMENT

This group of questions concerns the regulatory environment, by which is meant the direct dealings between firms and officials who have been granted some form of control over the firm. Key issues are again the predictability and transparency with which these control rights are exercised and the resulting costs imposed on firms.

INFORMATION ON RULES AND REGULATIONS

An important component of a transparent and predictable regulatory environment is that information on the rules and regulations by which firms are to be constrained is easily available. Firms were asked how easy it is to obtain such information (Figure 5.24).

INTERPRETATION OF RULES AND REGULATIONS

The implementation of rules and regulations leaves a large degree of discretion to the state's officials. Figure 5.25 presents the firms' responses on the consistency and predictability of regulation.

EXHIBIT 2

**Barter in Transition Economies:
Competing Explanations Confront Ukrainian Data**

Dalia Marin
University of Munich, CEPR, and RECEP

Daniel Kaufmann
The World Bank

Bogdan Gorochowskij
Humboldt University Berlin

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This paper is a substantially revised version of an earlier paper which circulated under the title "Disorganization, Financial Squeeze, and Barter" in September 1998. Earlier versions of this paper were presented at the European Bank for Reconstruction and Development, at the CEPR International Workshop in Transition Economics in Prague and at the RECEP Conference on Economic and Social Reform in Russia: A European-Russian Dialogue in Moscow. We thank Alexis Giesen for very able research assistance and the Harvard Institute for International Development for financial and logistic support.

Table1:

Barter in Transition Economies			
	1996	1999	percent change
Armenia	2,9	2,9	0,0
Azerbaijan	5,1	4,0	0,2
Belarus	13,1	13,9	0,7
Bulgaria	4,0	4,2	-0,2
Croatia	21,7	32,8	11,5
Czech Republic	3,8	3,3	-0,5
Estonia	5,5	4,1	-1,3
Georgia	6,8	5,2	-1,4
Hungary	1,7	0,8	-0,8
Kazakhstan	20,7	17,9	-2,8
Kyrgyzstan	16,5	17,4	1,8
Lithuania	3,1	2,8	0,1
Moldova	29,6	26,3	-1,3
Poland	3,9	4,7	0,7
Romania	8,6	7,3	-0,3
Russia	23,5	24,1	1,4
Slovakia	19,2	19,2	0,6
Slovenia	17,4	16,3	-0,8
Ukraine	20,3	24,0	4,7
Uzbekistan	23,2	10,2	-13,2
Total	12,5	12,1	-0,1

Source: World Business Environment Survey, World Bank-EBRD 1999.
Preliminary, not for citation at this stage.

EXHIBIT 3

Source: [All Sources](#) > [News](#) > \$ News Group File, All 
Terms: **kazakhstan w/20 barter and date(geq (01/01/96) and leq (12/07/01))** ([Edit Search](#))

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Generating Much Heat But No Kazakh Profits

BYLINE: By DOUGLAS FRANTZ

DATELINE: ALMATY, Kazakhstan

BODY:

NEARLY five years ago, when Kazakhstan was hailed as a new democracy with great potential wealth, an American energy company bought one of the world's largest coal-fired generating plants in the northern part of the country and started to modernize it.

Today, some people in Kazakhstan are prospering from its oil resources, though the country's credentials as a democracy are in doubt. But the American multinational, the AES Corporation, is struggling to turn a profit on an investment of more than \$200 million. "It's a very tough operating environment, especially considering the low income of the general population and the regulators' desire to keep the rates low and ignore the needs of the company to invest in upgrading," Vitaly Lee, the AES country director, said in an interview in his office here.

AES has plenty of experience in difficult environments. Much of the growth that turned the company into one of the largest independent energy providers has come in locales that others considered too risky, like Colombia, Tanzania and India.

The challenges in Kazakhstan range from bartering with customers for goods like cars, eggs and vodka to trying to persuade people to pay for electricity. AES has also tried to persuade tightfisted regulators to raise rates and dodged constant demands for bribes, company officials and Western diplomats said.

Obstacles are common. The promise of riches from oil and gas resources attracted billions of dollars in foreign investment. But despite progress, Kazakhstan is far from developing a transparent, Western-style business climate.

"There are still some sticking points for foreign investors, and bribery is as big a problem as it ever was," said an American business executive, who insisted that his name not be used because Western companies signed an agreement with the government not to criticize it in the press.

Bribery is a widespread problem in the developing world. Central Asian nations fare poorly on the annual ranking of corrupt countries by Transparency International, an organization trying

to fight corruption.

In a widely publicized case, the United States Justice Department is investigating whether James Giffen, an American lawyer, transferred \$30 million in commissions from foreign oil companies to bank accounts controlled by President Nursultan Nazarbayev of Kazakhstan and other government officials.

Mr. Giffen, an adviser to Mr. Nazarbayev, has denied wrongdoing, and Kazakh officials have called the accusations false and malicious.

IN a lesser-known case that reflects many of the hazards of doing business here, prosecutors in Belgium and Switzerland are investigating \$55 million paid to Kazakh business partners by Tractebel, the energy arm of the French conglomerate Suez.

Tractebel's former chief executive acknowledged in a radio interview last year that he had authorized the payments as commissions to win projects in 1996 and 1997. A company spokesman said Tractebel was cooperating with the investigation, but declined to comment further.

The Tractebel case is interesting because the payments did not protect the company once it started providing electricity to Almaty, the country's largest city, and operating a 6,000-mile network of gas pipelines.

"They gave a very large commission payment up front and didn't pay after that," Anthony Mansfield, a former Tractebel executive in Almaty, said in an interview. "The authorities made it virtually impossible for the company to operate."

Regulators refused requests to raise electricity rates. The regional governor, a self-described former boxer, said in a local TV interview that he had threatened to beat up a Tractebel official at a reception. At one point, Tractebel asked an international arbitration court to force regulators to increase the rates.

While the electricity business was losing money, Tractebel was making a profit transporting gas through the pipeline. But when it got rid of the local partners, Kazakh banks froze its accounts and the government started a public campaign against the company.

Mr. Nazarbayev criticized the company as not investing enough in Kazakhstan, and Tractebel soon began negotiations to withdraw from the country. Last December, it sold its holdings to a state-owned company for \$100 million, about half the amount invested.

The president's criticism was part of a perceptible shift in attitude toward Western companies and governments evident in some Central Asian countries. A decade of assistance and investment has not produced prosperity, and there is growing impatience in some quarters. In Kazakhstan, for instance, Mr. Nazarbayev recently questioned some financial benefits accorded foreign companies, and government officials reacted sharply to the recent State Department human rights report, which was critical of Kazakhstan.

Martha Brill Olcott, an expert on the region at the Carnegie Endowment for International Peace, said the Tractebel episode demonstrated the risks of doing business where laws were undeveloped and governments could be fickle.

"Payments get you in the door, but it doesn't create the business environment that a Western firm needs," she said in a telephone interview from Washington.

AES has yet to earn anything in **Kazakhstan**. When the company started selling electricity in northern **Kazakhstan**, even big commercial customers did not have the cash to pay. AES agreed to **barter** arrangements, trading electricity for cars used by its staff, rail

transportation and, in some cases, vodka and other products that could be sold by middlemen.

"That was the only way to do business," Mr. Lee, a Kazakh national, said.

AES needed all the revenue it could muster. The huge coal-fired plant in Ekibastuz was only 16 years old, but the roof had fallen in, and the turbines were in poor shape. It was built to supply electricity to vast regions of the Soviet Union, but AES spent \$90 million to approach 25 percent capacity.

The company also bought the rights to operate two thermal plants and four hydroelectric plants near Ust-Kamenogorsk, in eastern Kazakhstan. Mr. Lee said additional money had been invested there.

AES prides itself on providing clean, safe energy at reasonable prices. In Kazakhstan, it sells electricity for 0.6 cents a kilowatt hour, one of the lowest rates in the world. Still, Mr. Lee said, the company could not persuade regulators to let it raise rates and pass on to customers the cost of revenue-generating improvements like new meters.

Part of the problem is that customers are unaccustomed to paying for electricity.

"The mind-set in Kazakhstan is that electricity is a right, not a privilege that you have to pay for," a Western diplomat in Almaty said.

In Kazakhstan, the company has been criticized as not investing enough. "They have not fulfilled a series of conditions," Kanat Berentayev, a government economist, said in an interview.

Before increasing its investment substantially, AES officials said, the company needs the assurance of a better revenue stream. Still, Dennis W. Bakke, the company's chief executive, refused to complain about the business environment.

"I think Kazakhstan wants us, though it is not always easy to tell," Mr. Bakke said in a telephone interview from AES headquarters in Arlington, Va. "Business can be risky everywhere."

<http://www.nytimes.com>

GRAPHIC: Photos: The turbine hall, above, and control room, right, of the AES plant. The company, which runs several plants in Kazakhstan, has yet to turn a profit there. (Photographs by Staton R. Winter for The New York Times)(pg. 9); A hydroelectric plant in Ust-Kamenogorsk, Kazakhstan, above, is run by the American energy company AES. It advertised on a roadside, left. (Photographs by Staton R. Winter for The New York Times)(pg. 8)

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Date/Time: Friday, December 7, 2001 - 4:14 PM EST

EXHIBIT 4

Kazakhstan



BUSINESS FORUM
LONDON 22-24 APRIL 2001

Investment Profile

2001



Held on the occasion of the
EBRD ANNUAL MEETING



exceptional support from government resources. If the latest discovery at the Kashagan oil field in the Caspian Sea reveals substantial oil deposits, it will boost the country's medium-term growth prospects. In view of the increased petroleum revenue achieved in 2000, the government has decided to establish a National Fund modelled on those of Norway and the Persian Gulf countries to reduce the risks associated with oil price fluctuations.

In the short-term, however, the country will need to continue its reform effort if it is to maintain its growth rate at acceptable levels and diversify the economy away from the volatile oil and mineral sectors to others. Development of the retail sector is also of key importance. For high growth to be sustained, accelerated structural reform and transparent and accountable management of oil wealth remain key policy challenges. Land reform and ownership also have to be addressed, as well as judicial reform, including training of commercial judges. In order to attract more foreign investment, open and competitive tender procedures and property and contract rights need to be adopted and enforced.

International relations and foreign policy

Aware of its Soviet-inherited economic, and to a certain degree political, interdependence on the other CIS countries, and the importance of good relations with Russia in particular, Kazakhstan pursues a cautious but independent foreign policy, keeping an equal distance from the countries relevant to its development. This is apparent in the distribution of oil and gas production sharing agreements among companies of different nationalities. A similarly cautious and constructive engagement policy can be observed in the country's efforts to diversify its oil and gas export pipelines in order to avoid sole reliance on routes via Russia.

Meanwhile, Kazakhstan follows an integrationist policy within the Eurasian zone as evidenced by President's Nazarbaev's support in October 2000 for transforming the CIS Customs Union between Russia, Belarus, Kazakhstan, Kyrgyzstan and Tajikistan into a Eurasian Economic Community, designed to offer better trade terms to member countries.

Trade has been further liberalised following the abolition of selected customs tariffs and the government's commitment to the IMF to simplify its tariff schedule.

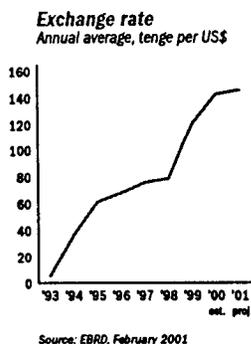
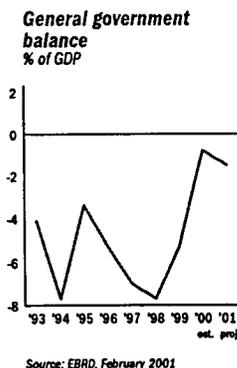
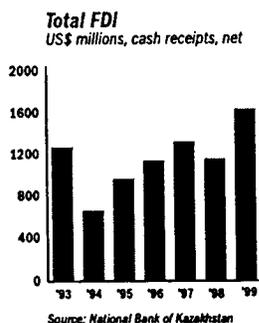
Political and social issues

When Kazakhstan gained its independence after the collapse of the Soviet Union in 1991, the Supreme Soviet of Kazakhstan (the parliament) elected Nursultan Nazarbaev to the post of President. The President's term in office was extended to the end of 2000 in a referendum in August 1995. The constitution concentrates power in the presidency. At the end of 1998 the Parliament initiated and called for an earlier presidential election and adopted new changes to the constitution extending the presidential term for seven years. President Nazarbaev was then elected to a new seven-year term in January 1999.

Following international criticism of past parliamentary election procedures, the government and its Central Election Commission have been working closely with the OSCE's Office for Democratic Institutions and Human Rights (ODIHR), the OSCE Parliamentary Assembly and the OSCE Centre in Almaty to determine future election practices. Government officials representing various ministries and agencies, parliamentarians, and representatives of civil society and various political parties, including those not represented in the parliament, are reviewing concrete measures to implement the recommendations of the ODIHR. Further round-table discussions will be held in 2001.

Kazakhstan is inhabited by an ethnically diverse population, with the last census (1999) recording a total population of 14.9 million, a decline of 7.7 per cent compared to the 1989 census. The census revealed some significant changes in the make-up of ethnic groups. The number of Kazakhs increased by 23 per cent since the 1989 census to 7.9 million, more than 51 per cent of the total. There have also been changes in the number of ethnic Russians, the second largest group, who now number 4.479 million, a fall of 26 per cent since the previous census. The number of Germans also dropped substantially from 946,000 to only 353,000. It is significant that for the first time since the early 1930s, when ethnic Kazakhs were forcibly settled, the share of Kazakhs has reached at least half of the total population.

The republic's official language, Kazakh, is only spoken by approximately 35 per cent of the population, and while recent laws make it mandatory for every citizen to learn the native language, Russian is spoken by most and also used in official dealings, including those with the government. Kazakhstan has not experienced ethnic disputes or significant ethnic tensions. Economic growth and stability have enabled the prompt payment of wage and pension arrears, mitigating the risk of any internal social unrest. President Nazarbaev's Kazakhstan 2030 programme aims to place Kazakhstan among the top 20 developed countries of the world.



gas sector. However, until action is taken to improve the investment climate, such as greater transparency in issuing licences, some investors will continue to be deterred. The government is considering introducing open and competitive tender procedures, which would attract reputable foreign investors.

According to the current IMF programme, privatisation receipts in 2000 were targeted at 2.8 per cent of GDP, compared to 2.3 per cent in 1999, although receipts in 2000 were well below this target. Following the privatisation of around 80 per cent of power generation capacity in 1997, Kazakhstan now plans to privatise all regional power distribution companies in 2001. However, reform of the tariff system in particular will be needed in order to attract investors. Telecoms monopoly Kazaktelecom and the Almaty and Astana water utilities are also slated for privatisation in 2001. Plans for the demonopolisation of Kazakh railways and the sell-off of some commercial units are far advanced. (See *Investment climate* below.)

Government balance

The budget balance made a recovery in 2000, coming in at a deficit of 0.8 per cent of GDP compared with a deficit of 5.6 per cent in 1999, beating the IMF target. A deficit of 1.5 per cent is projected for 2001. High oil prices have boosted revenues. Estimates suggest that annual budget revenues increase by US\$ 85 million for a US\$ 1 increase in the price of a barrel of oil, underlining the importance of natural resource revenues for Kazakhstan.

Exchange rate

The estimated year-end exchange rate in 2000 was KZT 145.4 to the US dollar, compared with KZT 138.3 in 1999, representing a depreciation of about 5 per cent, which indicates a relatively stable exchange rate. The annual average exchange rate stood at KZT 142.3 to the US dollar in 2000. To prevent the tenge from appreciating, the National Bank of Kazakhstan (NBK, the central bank) has been rebuilding reserves and has allowed base money to expand without affecting domestic liquidity.

Relations with the IMF

In May 2000 Kazakhstan made an early repayment of all outstanding balances owed to the IMF, amounting to SDR 295.8 million (about US\$ 385 million). The credits were originally drawn between 1993 and 1998 under a variety of IMF arrangements and facilities in support of Kazakhstan's transition efforts. The repayment is an indication of recent favourable external developments and the recovery of the economy from the shocks of the Asian and Russian financial crises of 1998-99.

In December 1999, the IMF approved a three-year credit for Kazakhstan in an amount equivalent to SDR 329 million (about US\$ 453 million) under an Extended Fund Facility (EFF) to support the government's economic programme for 2000-02. However, in 2000, the IMF undertook a detailed review of the link between the oil sector and the government budget and identified several areas where present practices are highly opaque. The IMF's dissatisfaction has led to the temporary suspension of its three-year EFF programme. Although Kazakhstan is not likely to draw on the Fund, the IMF has indicated that mismanagement of oil wealth and failure to introduce transparent practices could deter investors, which would be of concern for the entire economy.

Selected economic indicators									
	1993	1994	1995	1996	1997	1998	1999	2000 est.	2001 proj.
GDP (% change)*	-9.2	-12.6	-8.2	0.5	1.7	-1.9	2.7	9.6	6.1
Consumer prices (annual average % change)	1,662	1,892	176.3	39.1	17.4	7.3	8.3	13.2	7.8
Current account (in US\$ millions)	-438	-904	-213	-750	-802	-1,225	-171	750	210
General government balance (% of GDP)	-4.1	-7.7	-3.4	-5.3	-7.0	-7.7	-5.3	-0.8	-1.5
Trade balance (in US\$ millions)	-414	-929	114	-335	-276	-801	344	2,300	1,700
Total FDI (in US\$ millions, cash receipts, net)*	1,271	660	964	1,137	1,321	1,152	1,632	na	na
External debt stock (US\$ millions)*	2,902	4,474	4,765	5,807	7,750	9,932	12,051	12,328	na
Unemployment (annual average, % of labour force)	0.6	8.1	13.0	8.6	7.3	6.6	6.3	na	na
Exchange rate, annual average, tenge per US\$	5.3	36.4	61.1	67.8	75.6	78.6	120.1	142.3	145.3
Gross reserves, excluding gold (end-year, US\$ millions)	487	840	1,138	1,286	1,480	1,261	1,553	2,094	2,337

Source: EBRD, February 2001; *National Bank of Kazakhstan

Investment policy and incentives

In many ways, Kazakhstan is an investor-friendly country with a favourable macroeconomic environment and a dedicated policy to further improving the investment climate. Improvements to the regulatory framework for foreign investment and joint ventures are under way. However, Kazakhstan needs to focus on a number of outstanding issues that are holding back the growth of FDI.

Foreign investment legislation in brief

Kazakhstan has enacted four major pieces of legislation relating to foreign investment. They are: the Law on Foreign Investment (1994, amended in 1997); the Tax Code of 1995; the Law on State Support for Direct Investment (1997); and the Law on Government Procurement (1997). These laws provide for non-expropriation, currency convertibility, access to international arbitration, guarantee of stability in the legal regime, transparent government procurement, and incentives in certain priority sectors such as industrial infrastructure, the processing industry, the city of Astana, housing, the social sector, tourism and agriculture.

Depending in which priority sector of the economy investments are being made and the amount to be invested, various incentives may be obtained through the Committee on Investments within the Ministry of Foreign Affairs. These include:

- Up to 100 per cent tax relief for the first two to eight years from signing the investment contract; and
- Partial or full customs duty exemptions on equipment and raw materials needed for the investment.

Kazakhstan's tax code is considered by tax experts to be among the most comprehensive in the CIS. In general, taxes are applied universally within the code, allowing only a limited set of exemptions. The code applies an international model of taxation, which is based on the principles of equality, economic neutrality and simplicity.

Basic tax rates

According to the 1995 tax code, the main basic tax rates and duties are as follows:

- Corporate income tax: 30 per cent.
- Value Added Tax (VAT) will be reduced from 20 to 16 per cent from 1 June 2001.
- Average import tariff: 9 per cent.
- Excise duties are imposed on certain imported goods and VAT is levied on CIS and non-CIS merchandise imports.
- Social tax will be reduced from 26 to 21 per cent from 1 June 2001.

However, the administration of the tax code and the tax treaty is not as efficient, transparent, or consistent as it should be. The methods used by the tax police such as arbitrary inspections have been a source of complaint by foreign firms. Recognising these problems, the government has prepared a new tax code, in part to simplify and clarify the old one. The new tax code is expected to limit the powers of the tax authorities and define the rights of the taxpayer more clearly. It was submitted to parliament in October 2000 and is awaiting approval. The government has closely consulted with the business community in devising the new tax code.

Kazakhstan does not restrict repatriation of investment profits and allows full convertibility into a usable currency at market rates. There are minimal restrictions on converting or transferring funds associated with an investment into a freely usable currency at a legal market rate. In 1996, Kazakhstan adopted Article 8 of the IMF Articles of Agreement, undertaking not to restrict current account transactions such as currency conversions or the repatriation of investment profits. In April 1999, the National Bank of Kazakhstan announced that the national currency would be allowed to float freely at market rates, thus abolishing the previously managed exchange rate system.

With respect to property rights, secured interests in property are recognised under the Civil Code and the 2001 Land Law. Land cadastres (registries) for registering rights in fixed property have been fully established in only a limited number of regions, most notably Almaty and Astana. The use of mortgages on real estate has begun, but legal and banking expertise in this area is limited. In order to popularise the use of mortgages, the central bank is taking steps to develop mortgage-backed bonds.

The constitution provides that land and other natural resources may be owned or leased only by Kazakh citizens according to conditions established by law. The conditions are that permanent land use is restricted to legal entities possessing buildings (e.g. for operational activities or management); legal entities involved in agriculture and forestry production; and legal entities involved in land use in specially protected natural territories. Private ownership is applied to household plots, gardens, and dachas, and also to land used for housing development or construction of production facilities, as well as to existing production and non-production facilities. Currently, foreign citizens and foreign legal entities may lease land through a domestic partner for a period starting from five up to 49 years.

The Committee on Investments within the Ministry of Foreign Affairs of the Republic of Kazakhstan

The Committee was established by a presidential decree in December 2000 to succeed ARKI. It is expected that the Committee will largely assume ARKI's responsibilities, which were essentially to mobilise efforts to attract FDI and to coordinate state agencies in activities to implement investment projects carried out by preferred investors.

At the time of writing no further details on this new government agency were available.

The Committee on Investments within the Ministry of Foreign Affairs of the Republic of Kazakhstan

Pobedy Avenue 33, 47300 Astana

Tel: (+7-3172) 118 414

Fax: (+7-3172) 118 158

E-mail: sci@kaznet.kz

Web site: www.kazinvest.com

Privatisation and restructuring

Privatisation sales in 2000 raised a low amount, roughly US\$ 150 million, compared to US\$ 975 million in 1999. Around 5,000 medium-sized enterprises and 1,000 large enterprises remain in majority state ownership. No large-scale firms have been privatised, compared to the programme target of four enterprises by the end of March 2000 and 10 enterprises by the end of 2000. More than 300 of the largest enterprises remain fully state-owned, including oil company KazakhOil, oil transit company KazTransOil, gas transit company KazTransGas, railway company KTZ and energy utility KEGOC. Kazakhtelecom (KTC) is also awaiting privatisation. (See *Major sectors of the economy* below.) These enterprises are natural monopolies and have strategic significance for the national economy, and as a result their sale is not considered advisable for the state, especially in view of the budget surplus.

The future of privatisation and private investment in the energy sector is dependent on substantial improvements in the regulatory framework and in particular the implementation of pricing mechanisms offering a return on investment. Future investments in the sector are likely to focus on the upgrading of electricity distribution networks, the rehabilitation of district heating networks associated with combined heat and power plants, and the modernisation of aged generation plants. The cities of Almaty and Astana are considering private investment in their water sectors. Further energy distribution companies are likely to be privatised in 2001.

The planned sale of state shares in large companies through public offerings on the stock market has lost momentum, while significantly increased state revenues during the latter part of 1999 and throughout 2000 have reduced the incentive to raise revenue through privatisation. Accordingly, the lack of progress in bringing these large state-owned enterprises towards international standards and practice has proved to be an obstacle to structural reform. If the privatisation process is to regain momentum, it will require a renewal of political commitment. The key challenges faced by the government include increasing the level of investments while corporatising and commercialising the provision of infrastructure and services.

The law on natural monopolies approved in 1998 provides a general regulatory framework for the infrastructure sector. However, it does not provide for full cost-recovery tariffs, leaving this to specific sectoral legislation. Following the adoption of cost-recovery principles for transportation of natural resource in 1998, a new energy law includes similar provisions for the power sector. New laws for the railway and telecommunication sectors are under development. An appropriate regulatory framework for ensuring market-based development of infrastructure is therefore being developed. However, due to weaknesses in secondary legislation and its implementation, regulatory practice is affected. As a result, the operation of privatised utilities has often been difficult and has created some negative perceptions among potential investors.

However, Kazakhstan has made progress in the extensiveness and effectiveness of its legal rules. This progress is mainly due to amendments to the Civil Code on obligations and contracts and bankruptcy law revisions. The 1997 Law on Bankruptcy as amended sets out a basic framework and procedures for liquidation and reorganisation in the case of bankruptcy and insolvency.

Markets and trade

Kazakhstan has liberalised its trade policies and passed legislation that brings its trade regime into conformity with World Trade Organisation (WTO) standards as it seeks WTO membership. The first round of WTO accession negotiations took place in 1997. However, Kazakhstan's inadequate initial offer on goods and services has slowed down the accession process. Kazakhstan failed to submit a number of documents to the WTO Secretariat as programmed and a planned meeting of the WTO accession committee was postponed. However, Kyrgyzstan's achievement of WTO membership, an agreement between the US and China on the terms for China's accession

Iron ore

Kazakhstan has large iron ore reserves estimated at 12.5 billion tonnes. However, only 40 per cent are considered economically suitable for export or processing. It is considered to be low grade, and production is exported to China and Russia and also consumed domestically by the iron, steel and ferroalloy industries. Kazakhstan aims to stabilise falling production at 12 million tonnes per year. There are three main iron ore companies. The largest is the Sokolov-Sarbai Mining Production Association (SSGPO) which is owned by the government (39.5 per cent) and the Kazakhstan Mineral Resources Corporation (KMRC, 25.3 per cent).

Aluminium

Aluminium of Kazakhstan is considering constructing the country's first aluminium smelter. The planned facility will process alumina for export to Russia. The smelter will be designed to have a production capacity of 215,000 tonnes of refined aluminium yearly. Financing for the project has yet to be arranged. Aluminium of Kazakhstan is among the top 10 leading alumina producers in the world and consists of the Pavlodar Aluminium enterprise with a capacity of 1.36 million tonnes of alumina per year, the Turgay and Krasnooktyabrsk bauxite mines, the Keregetas limestone quarry and a heat and power plant. The Pavlodar plant produced about 1.2 million tonnes of alumina in 2000. A US\$ 60 million upgrading programme envisages increasing output to 1.5 million tonnes per year by 2005. About 32 per cent of the company belongs to the government and the rest to various legal entities and individuals.

Zinc

Kazzink, Kazakhstan's main zinc producer, controlled by Glencore (Switzerland), has opened a new mine at Maleyevsky. Glencore has invested about US\$ 65 million in the mine, which is expected to produce up to 2.2 million tonnes of zinc annually. Kazzink has adopted a new investment programme for 2000-05 under which it will invest about US\$ 190 million to expand production. Glencore, through its subsidiary Kazastur Zinc AG, will provide financing. Zinc production of 156,000 tonnes is targeted for 2001. Kazzink was formed in 1997 through a merger of three major mining and metallurgical enterprises, the Ust-Kamenogorsk lead and zinc enterprise, the Leninogorsk polymetal enterprise and the Zyryanovsky lead enterprise.

Kazakhstan's role in the development of a regional mineral resources industry

Although breaking up the unified complex of Soviet metallurgy caused some initial problems, especially in the most capital-intensive branch, non-ferrous metallurgy, the Central Asian countries including Kazakhstan managed to establish a working system of exports and imports of minerals between themselves. For instance, Kazakhstan has a stable aluminium and lead-zinc concentrate market, contributing to the CIS internal trade turnover. However, the wide use of the barter system hinders capital inflow into the mineral resource industry. Metal products accounted for about 30 per cent of total CIS barter exports in 1998-99. Constant increases in energy carrier prices, non-payments and the associated risks compensated for by rises in prices are the reason for the overpricing of metal products in the CIS, and therefore their non-competitiveness. Thus, the Kazakh government is looking into production cost restructuring, implementation of governmental pricing policy regarding energy carriers, correct fiscal foreign exchange regulation and co-ordination of investment policy among producing countries. Establishing an agency such as an "Advisory Council of Central Asian States" for the development of the mineral resource industry could yield co-ordinated policies and beneficial results for exports.

Despite the importance of science-intensive branches of industry to the economy, there is still great demand in the world economy for raw materials and metals. The development of this industry depends on the creation of appropriate infrastructure, application of science-intensive high technologies, and consequently attraction of foreign investments.

By most western specialists' estimates, Kazakhstan today has strong chances of success in developing "from excavator to computer", as the country has advantages compared with its neighbours both in volume and quality of mineral resources and the level of development of science and engineering. A successful realisation of a thorough programme for the development of the mineral resource industry in Kazakhstan would entail the development of that branch of industry in the entire Central Asian region.

Agriculture

Kazakhstan is a major agricultural producer. During Soviet times the country was the largest grain producer in the USSR and continues to be heavily dependent on income from the sector. Restructuring of the sector following the severe disruption of the input and output distribution system after the break-up of the Soviet Union is only proceeding slowly.

While a law on reform of land ownership has been adopted, the transport infrastructure for agricultural and food products is in need of development. The relatively small domestic market, competition from Russia, and limited export access have deterred foreign investment.

Agricultural production has declined since the early 1990s when it was the second largest sector of the economy, contributing over a third of GDP and employing 18 per cent of the workforce. In 1999 it accounted for only about 10 per cent of GDP. In 2000 agricultural output fell by 3.3 per cent. The structure of agricultural production has also changed, with a rise in plant growing and a fall in livestock breeding, the main agricultural activities. Grain production is widespread in the north central region. The dominant crops are grains (wheat, oats, and barley), flax and sunflowers, as well as cotton and rice (grown in the irrigated lands of the south), sugar beet, tobacco and vegetables. Orchards and vineyards are also widespread.

Kazakhstan accounts for about 1 per cent of world grain production, and 1.4 per cent of world exports. Grain and its products, and flour and cereals, remain among the main export items (6.5 per cent of total exports in 1998.) Wheat accounts for 88 per cent of all Kazakh grain exports. Kazakhstan harvested about 15 million tonnes of grain in 1999, up 130 per cent from a record low in 1998. However, it dropped to 13.2 million tonnes in 2000. Grain exports are believed to have made a profit of US\$ 6.9 million in 2000. Among the main export destinations are Iran, Uzbekistan, Belarus and Russia. Kazakh grain exports are affected by high rail tariffs in Russia. However, Aktau port, which will be completed in 2001, will provide a new transit route for grain exports. Strengthening Kazakhstan's position in world markets would require huge investments in the agrarian sector, particularly in crop growing technologies.

Agribusiness is a weak but growing sector, with food processing and packaging expected to grow by 5 to 10 per cent over the next few years.

Some international financial institutions are helping Kazakhstan to develop its agriculture and agribusiness sectors. The Asian Development Bank has provided US\$ 40 million for an Irrigation and Land Improvement Project, focusing on the development of institutions involved in agricultural services and water management. The World Bank has also extended credits for irrigation and drainage projects. In order to solve water supply problems, Kazakhstan is planning to build a water reservoir (Koksaray) on the Syrdarya River, which requires financing of

US\$ 160 million. A US\$ 90 million loan from the World Bank will be used to clean the riverbed, while the rest will be provided through government resources and borrowing. Construction is due to start in 2001. The reservoir will supply the Kzyl-Orda region with water for irrigation and increase the area of irrigated land in southern Kazakhstan by about 35,000 hectares.

Manufacturing

Manufacturing is another important industrial branch in Kazakhstan. It is mainly centred on refining ores, petrochemical manufacture, and agricultural processing. Other sub-sectors include heavy engineering, machinery and machine tools, wood processing (especially wooden construction materials), industrial chemicals, construction materials, metallurgy, electrical engineering, transport equipment, and light manufacturing such as textiles, footwear, and paper. In the first half of 2000 the gross output of the manufacturing industry amounted to KZT 369 billion (US\$ 2.4 billion), which represents a 19.4 per cent increase compared to the previous year.

Aerospace

The Baykonur Cosmodrome was one of the centres of the former Soviet space industry, and is now leased by Russia for US\$ 115 million per year, much of which is paid through barter. Kazakhstan also plans to use the Cosmodrome to launch its own satellite programme. A Kazakh-Russian joint venture is to be set up to create a domestic satellite programme to be run by Kazakhstan's own aerospace agency. The satellite would link Kazakhstan with Siberia, Pakistan, India, China and the Middle East. The satellite, when launched, will also be used for commercial purposes. Baykonur also hosts telecommunications satellite launches by other countries or companies.

Energy

Kazakhstan's energy sector is undergoing reform aimed at achieving greater efficiency and independence from the old Soviet grid. Privatisation is fairly advanced, but its future, and that of private investment, will depend on some major improvements to the regulatory framework and in particular the implementation of pricing mechanisms offering a return on investment. The short-term goals are energy independence, stabilised tariffs, completion of power sector restructuring, and the creation of conditions for better energy conservation.

A new Law on Electric Energy was adopted in July 1999, which is generally deregulatory in nature compared with previous legislation and, as such, promotes the development of the

Telecommunications

The main operator in Kazakhstan is state-owned Kazaktelecom (KTC), Central Asia's biggest telecommunications operator, which holds an exclusive licence to operate the public telecommunications network and to provide international and long distance telephony services until 2005, with an option to extend the licence for another six years. All other telecommunication services (with the exception of the operation of telecoms infrastructure services) are open to competition. However, the absence of an independent regulator, and difficulties in obtaining access to KTC's network on reasonable terms have contributed to a slow pace of development of the telecommunications network. There are private companies offering telecommunication services, although their share in the market is low.

Telecoms regulatory reform

A new telecommunications law was adopted in May 1999. This law, which is not radically different from the previous one, delegates all major policy and regulatory decisions to the "state regulation body". However, the law does not define how the regulation body will be supervised, nor does it provide regulations on licensing, interconnection or dispute resolution among operators. As a result, the regulatory framework is not yet adequately developed. The EBRD has launched a project designed to assist the authorities in reshaping the telecom regulatory framework in a manner that will increase competition and attract private investment into the sector.

Telephone density in Kazakhstan is about 15 lines per 100 inhabitants. The government aims to triple it within the next five to 10 years. KTC is carrying out a national programme of modernisation of the entire telecommunications system that would make it one of the most advanced in the CIS. It aims to provide a unified information environment based on the latest telecommunications technologies. Digital services will gain importance including data links, cellular phones, paging and satellite transmissions as well as fixed-line voice systems. Areas to be modernised within the framework of this programme include wireless communications, paging and trunk communications. It will also provide all the regional cities with card payphones. Three international switching centres will be built in Astana, Almaty and Aktobe. The company will also construct four long-distance telephone exchanges in Aktobe, Semipalatinsk, Taraz and Uralsk, and install fibre optic lines. In 1999, Kazaktelecom started work on a new digital network in Aktobe, which will cost US\$ 5 million and will be capable of serving 350,000 subscribers. The rural

telecommunications networks will also be modernised using digital telephone exchanges.

Attempts to privatise KTC have not been entirely successful. Forty per cent of its equity was sold to South Korea's Daewoo in 1997, with a 15-year exclusive licence for domestic and international services, for which Daewoo paid US\$ 100 million and promised to invest US\$ 1 billion. However, when the Daewoo parent company ran into trouble in the wake of the Asian financial crisis, in 1998 it sold its stake to Kazkommertsbank Group for US\$ 105 million, which has been placed in some international equity funds. In December 1999 the EBRD made a US\$ 50 million corporate loan to KTC to enable it to develop its infrastructure and install new systems and equipment as a prelude to a new round of privatisation. The EBRD has also been considering an equity participation in the company.

The government hopes that, by the end of 2001, long-distance and international digital telephone lines should be available throughout the country via the 10,000 kilometre National Information Trunk Line (NITL), which is being built by Siemens (Germany) at a cost of US\$ 84 million. The fibre optic line will run from Shymkent and Kzyl-Orda in the south to Aktobe in the north and on to Atyrau in the west, eventually connecting with Russia's

Mobile telephony

Competition with the state-owned KTC is developing rapidly, with a number of companies providing cellular services, paging, data transmission, etc. Companies in the sector include the following:

- Local firm Becet International, using Motorola network equipment, provides cellular services in the country.
- GSM Kazakhstan expects the number of its subscribers to increase from about 15,000 at present to more than 1 million by 2008.
- The first cellular network based on the global system for mobile phones launched operations in Almaty in February 1999. It was set up by a joint venture, K-Cell, formed by Kazaktelecom and Turkcell (Turkey) whose shareholders include Sonera (Finland). Equipment was provided by Ericsson (Sweden), and the network is capable of serving up to 160,000 subscribers.
- K-Mobile, another Kazakh-Turkish joint venture, launched mobile services in Karaganda, the second largest city, and had expanded them to the rest of the country by the end of 1999. It plans to invest US\$ 160 million in the project in addition to the US\$ 67.5 million it paid for the licence under a 15-year government concession.

EXHIBIT 5



NATLEX

KAZAKHSTAN

Labour Law 1999, in force 1 January 2000

Chapter 1- GENERAL PROVISIONS

Chapter 2- INDIVIDUAL CONTRACT OF EMPLOYMENT

Chapter 3- COLLECTIVE AGREEMENT

Chapter 4- REGULATION OF LABOUR RELATIONS OF SOME CATEGORIES OF WORKERS

Chapter 5- HOURS OF WORK

Chapter 6- TIME OF REST

Chapter 7- WAGES AND RATING OF LABOUR

Chapter 8- GUARANTEES AND COMPENSATIONS TO WORKERS

Chapter 9- FINANCIAL LIABILITY OF PARTIES TO INDIVIDUAL CONTRACT OF EMPLOYMENT

Chapter 10- INCENTIVES AND PUNISHMENTS APPLICABLE TO WORKERS

Chapter 11- LABOUR DISPUTES

Chapter 12- SUPERVISION OVER OBSERVANCE OF THIS LAW

This Law regulates social relations arising in the course of implementation of the citizens' constitutional right to the freedom of labour.

Chapter 1- GENERAL PROVISIONS

Section 1. Definitions

For the purpose of this Law, the terms used herein have the following meanings:

"labour" means human activity directed at creating any material, spiritual and other values needed for people's life;

"labour relations" means relations arising between the employer and the worker as regards

any labour activity exercised by the parties on the basis, as a rule, of individual contracts of employment and collective agreements;

"employer's instruments" means instruments (orders, directives, instructions, internal regulations) issued by the employer (a representative of the employers);

"individual contract of employment" means a bilateral agreement between the employer and the worker in writing under which the worker undertakes to do work in a certain speciality, profession or office with due observance of the employer's instruments, while the employer undertakes to pay the worker in due time and full scope his wages and other amounts provided for by the laws and regulations and by the parties' agreement, and to ensure labour conditions provided for by the labour laws and collective agreement;

"harmful (very harmful) labour conditions" means labour conditions under which the effect of certain production factors causes reduction of the worker's ability to work or his sickness, or negative influence upon his posterity;

"dangerous (very dangerous) labour conditions" means labour conditions under which the effect of certain production factors causes in the event of a failure to comply with the labour safety rules sharp deterioration of the worker's health, or an injury, or his death;

"heavy manual work" means forms of the worker's activity connected with lifting or transport of heavy loads by hand or other forms of work with expenditure of energy exceeding 300 kcal/hr;

"time of rest" means time during which the worker is free from performance of his labour duties and which he can use at his discretion;

"wages" means remuneration (earnings) payable for labour in accord with its complication, quantity and quality

"professional skill grade" means a level of the worker's skill reflecting the complication of the work which he is able to do;

"collective agreement" means a legal instrument documented in the form of an agreement in writing signed by one or several employers (their representatives) and one or several trade unions or workers who are not members of any trade union and who formed their association for the bargaining;

"sending on mission" means sending the worker by the employer's instructions to perform labour duties outside the place of his permanent employment;

"compensations" means payments connected with the schedule of work and labour conditions, with reimbursing the workers for the expenditures incurred by them during the work;

"minimum wages" means a minimum amount of money guaranteed by the Constitution of the Republic of Kazakhstan to the persons employed in establishments irrespective of their forms of ownership;

"written notice" means a signed and duly registered notification made by the worker or employer or a notification made by any other channel (by registered mail, facsimile, e-mail, cable);

"representatives of employers" means natural or legal persons authorized to represent interests of the employer or group of employers on the grounds of constitutive documents;

"representatives of workers" means bodies of trade unions and their associations authorized to represent [the workers] on the grounds of their constitutive documents, powers of attorney or decision adopted by a meeting, as well other persons and organizations duly authorized by the workers;

"worker" means a natural person who consists in labour relations with the employer and directly performs the work provided by the contract of employment;

"employer" means a legal or natural person with which the worker consists in labour relations;

"hours of work" means time during which the worker in compliance with the employer's instruments and terms of the individual contract of employment performs his labour duties;

"labour duties" means obligations of the worker and employer conditioned by the individual contract of employment;

"length of service" means calendar-related time spent by the worker for performance of his labour duties in employment, or by the natural person engaged in entrepreneurial activity or any other work on his own account;

"labour dispute" means a discord between the worker and employer as regards application of the labour laws and regulations, fulfillment of the terms and conditions of the individual contract of employment and collective agreement which the worker (worker's representative) and employer (employer's representative) earlier failed to settle;

"labour public authority" means a central executive authority functioning in the sphere of labour relations in conformity with the laws and regulations of the Republic of Kazakhstan;

"labour conditions" means the terms and conditions of the payment for and protection and rating of the labour, schedule of work, possibility of and rules for holding more than one profession (office), technical, sanitary, hygienic and production comforts, as well as other conditions that can be agreed upon in the individual contract of employment and collective agreement.

Section 2. Labour laws and regulations

1. The labour laws and regulations of the Republic of Kazakhstan are based on the Constitution of the Republic of Kazakhstan and include this Law and other legal instruments which regulate labour relations of some separate categories of the workers whose standards cannot be lower than those provided for in this Law.

2. International treaties ratified by the Republic of Kazakhstan shall prevail over this Law and other regulatory legal instruments for labour and be applied directly except the cases where the international treaty implies that its application demands publication of a corresponding law of the Republic of Kazakhstan.

Section 3. Sphere of action of this Law

1. This Law shall cover labour relations in the territory of the Republic of Kazakhstan.

2. The action of this Law shall extend to the foreigners who are engaged in labour activities in the Republic of Kazakhstan unless provided otherwise by the Constitution, laws and international treaties ratified by the Republic of Kazakhstan.

The workers of the establishments situated in the territory of the Republic of Kazakhstan which are founded or owned (in full or in part) by foreign legal or natural persons shall be covered by the labour laws and regulations of the Republic of Kazakhstan.

Section 4. Prohibition of discrimination in the sphere of labour

1. Everyone shall have equal opportunities to exercise his labour rights. No one can be restricted in his labour rights or get any benefits in their realization on the grounds of gender, age, race, nationality, language, material and official status, place of residence, attitude to religion, convictions, citizenship, membership of any social associations and because of any other circumstances not related to the business properties of the worker and results of his labour.

2. Persons who consider that they have been discriminated in the sphere of labour may petition to the court.

Section 5. Labour relations regulated by the individual contract of employment and collective agreement

1. Labour relations between the employer and worker shall be regulated by the regulatory legal instruments, individual contract of employment and collective agreement concluded in compliance with the labour laws and regulations.

2. Terms and conditions of the individual contract of employment and collective agreement cannot be amended by the parties unilaterally.

3. Labour conditions of separate categories of the workers which are regulated by other regulatory legal instruments should not be lower than those provided for by this Law. Invalidity of any separate terms and conditions of the individual contract of employment and collective agreement shall not invalidate the contract and agreement as a whole.

4. This Law shall only stipulate minimum regulatory terms and conditions of labour relations. The parties to the individual contract of employment and collective agreement shall be entitled to agree on better ones.

5. The terms and conditions of the individual contract of employment and collective agreement shall be binding upon the parties unless they contradict the laws and regulations.

Section 6. Prohibition of forced labour

Forced labour shall be prohibited. Recourse to forced labour may only be had under the sentence of the court or under the state of emergency or martial law.

Section 7. Basic rights and obligations of the workers

1. The worker shall have the right to:

- 1) concluding, amending and terminating the individual contract of employment with the

- employer according to the procedure provided by this Law;
- 2) equal pay for equal labour without any discrimination;
 - 3) labour conditions complying with the requirements of safety and hygiene;
 - 4) membership in trade unions and other social organizations, unless provided otherwise by any other legal instruments;
 - 5) rest;
 - 6) compensation for any injury inflicted on his health or damage on his property in connection with fulfillment of his labour duties;
 - 7) receipt of guarantees and compensations;
 - 8) settlement of labour disputes by consensus between the parties or in the court;
 - 9) confirmation by the employer of powers of the official representing the party in the individual contract of employment;
 - 10) participation in elaboration of the collective agreement and familiarization with the collective agreement and the employer's instruments;
 - 11) improvement of his professional skill.

2. The worker shall be obliged:

- 1) to perform diligently the labour duties stipulated by the individual contract of employment, collective agreement and employer's instruments;
- 2) to observe labour discipline;
- 3) to take care not to inflict any damage on the employer's property in the course of the work;
- 4) to observe requirements of labour protection, fire safety and occupational sanitation;
- 5) to abstain from divulging the information confided to him under the individual contract of employment when this information constitutes official, commercial or other secret protected by law;
- 6) to provide information about any situation which presents danger to the life and health of people, and to safety of the employer's and workers' property.

Section 8. Basic rights and obligations of the employer

1. The employer shall have the right to:

- 1) concluding, amending and terminating the individual contract of employment with the workers according to the procedure provided by this Law;
- 2) presentation by the worker to be employed of the documents provided by this Law to confirm his ability to engage in certain labour activities and/or to hold a certain office;
- 3) issuing the employer's instruments within the scope of his authority;
- 4) encouraging the workers and making them answerable in disciplinary and financial respects according to the procedure stipulated by this Law and other regulatory legal instruments;
- 5) compensation for any damage inflicted on him by the worker;
- 6) termination of the work of the establishment and dismissal of the workers in the event of their organization of and participation in a strike found illegal by the court;
- 7) establishment of and participation in the employers' associations for the purpose of representation and protection of his rights and interests;
- 8) setting of a probation period to the worker;
- 9) reimbursement of his expenditures connected with training of the worker provided that this is stipulated by the terms and conditions of the individual contract of employment.

2. The employer shall be obliged:

- 1) to provide the workers with the labour conditions in compliance with the labour laws and regulations, individual contract of employment and collective agreement;

- 2) to give due consideration to the proposal of the workers' representatives and conclude the collective agreement;
- 3) to provide the workers with facilities and materials necessary for performing their labour duties;
- 4) to familiarize the worker with the collective agreement and employer's instruments while concluding the individual contract of employment with him;
- 5) to pay the worker in due time and full scope his wages and other amounts provided for by the laws and regulations of the Republic of Kazakhstan, individual contract of employment, collective agreement and employer's instruments;
- 6) to observe the requirements of the labour laws and regulations, individual contract of employment and collective agreement;
- 7) to insure his liability for any harm to the life and health of the worker as the latter performs his labour duties;
- 8) to present to the state archives the documents confirming the labour activities of the workers and information about allocation of money for their pension insurance;
- 9) to compensate the worker for any damage according to the procedure and on conditions provided by the laws and regulations of the Republic of Kazakhstan;
- 10) to suspend the work where its continuation causes danger to the life or health of the worker;
- 11) to warn the worker about any harmful and dangerous conditions of the work and about a possibility of any occupational disease.

Chapter 2- INDIVIDUAL CONTRACT OF EMPLOYMENT

Section 9. Contents of the individual contract of employment

1. The individual contract of employment should contain:

- 1) requisite elements of the parties:
 - full name of the employer when it is a legal person and its location, number and date of state registration of the constitutive documents of the employer - legal person;
 - surname, name and patronymic (if indicated in the identification paper) and position of the employer (his representative), and when the employer is a natural person, the address of his permanent residence, description, number and date of issue of his identification paper;
 - surname, name and patronymic (if indicated in the identification paper) of the worker, description, number and date of issue of his identification paper; number of his social individual code (SIC), registration number of taxpayer (RNT);
- 2) labour function (work in a certain position, speciality, profession);
- 3) term of the individual contract of employment;
- 4) date of beginning of the work;
- 5) characteristics of the labour conditions, guarantees and compensations to the workers for heavy manual work or work under harmful or dangerous conditions;
- 6) schedule of the hours of work and time of rest;
- 7) conditions of labour remuneration and labour protection;
- 8) rights and obligations of the employer;
- 9) rights and obligations of the worker;
- 10) procedures of modification, termination and prolongation of the individual contract of employment;
- 11) procedure of payment of compensations and granting of guarantees;
- 12) liability of the parties;

2. Other terms and conditions may also be included into the individual contract of employment by agreement between the parties.

Section 10. Term of the individual contract of employment

1. The individual contract of employment may be concluded:

- 1) for an indefinite period;
- 2) for a definite period;
- 3) for a period of performance of a certain work or for a period of replacement of a temporarily absent worker.

2. If the effective period of the individual contract of employment is not specially stipulated, the contract shall be deemed to be concluded for an indefinite period of time.

Section 11. Minimum age for admission to employment

1. Conclusion of the individual contract of employment shall be allowed with the persons who have reached the age of sixteen years.

2. In the event of completion of secondary education or leaving a comprehensive educational establishment, the individual contract of employment can be concluded by persons who have reached the age of fifteen years with consent of their parents or tutor or guardian.

3. With consent of one of the parents (tutor, guardian) the individual contract of employment can be concluded with a student who has reached the age of fourteen years to perform in his time free from schooling some light work not harmful to his health and not interfering with the schooling process.

4. The consent of the parents (tutor, guardian) shall be given in writing, the parents (tutor, guardian) signing the individual contract of employment together with the minor.

5. Employment of the persons under the age of eighteen years for heavy manual work and that with harmful and/or dangerous conditions of labour shall be forbidden.

Section 12. Conclusion of the individual contract of employment

1. The individual contract of employment shall be concluded in writing in at least duplicate and signed by the parties. One copy of the individual contract of employment signed by the parties shall be handed over to the worker.

2. The date of the beginning of the work indicated in the individual contract of employment shall be deemed the beginning of performance of his labour functions by the worker. In the event of absence of and/or failure to duly document the individual contract of employment by the employer, the effect of the individual contract of employment shall begin from the date of actual admission to work.

3. After conclusion of the individual contract of employment, the employer shall be obliged to issue an order about the employment of the worker which should be brought to the latter's notice against his signature.

4. To conclude the individual contract of employment, the employer shall be entitled to demand presentation of documents certifying the labour activity of the worker, his identification paper (passport), social individual code certificate, pension agreement, birth certificate for persons under the age of sixteen years, certificate of education and professional

training and other papers provided by the laws and regulations.

5. The worker shall be entitled to conclude the individual contracts of employment with several employers providing for part-time employment.

6. The individual contract of employment with the director of an establishment shall be concluded by the owner of the establishment or a person or body authorized by the owner for a period stipulated by the constitutive documents or agreement between the parties.

7. Any modifications or supplements to the individual contract of employment shall be made according to the procedure provided for its conclusion.

Section 13. Documents confirming labour activities of the worker

The documents confirming the worker's labour activities can be: the work-record card (in the event of its availability), or individual contract of employment, or extracts from the orders about employment and dismissal.

Section 14. Issue of documents about employment and amount of wages

On an application filed by the worker, including the former one, the employer shall be obliged to give him a certificate not later than five days after the application with indication of his speciality, professional skill, position, duration of employment and the amount of his wages, testimonial as to the character containing information about the skill of the worker and his attitude to his duties, and other documents on the work provided by this Law.

Section 15. Employment with probation

1. When concluding the individual contract of employment, the parties can agree to condition it by probation for the purpose of testing the worker for compliance with the work assigned to him.

2. The probation condition should be claused in the individual contract of employment. In the absence of such a clause, the worker shall be deemed to be employed without any probation.

3. During the probation period, the workers concerned shall be covered by provisions of this Law, terms and conditions of the individual contract of employment and collective agreement.

4. The probation period cannot exceed three months. The period during which the worker was absent from the work for a good reason shall not be counted towards the probation period.

Section 16. Results of probation

1. Either party shall be entitled to cancel the individual contract of employment prior to expiration of the probation period, the individual contract of employment being deemed canceled from the moment of the notification.

2. If the employer appoints the worker to a higher position before the expiration of the probation period, the worker shall be deemed to have passed the employment probation.

3. If the probation period has expired and neither of the parties notified the other party of

cancellation of the individual contract of employment, the action of the contract shall continue and its termination shall be allowed only on usual terms.

Section 17. Transfer to another post

Transfer to another post in the same establishment as well as transfer to another establishment or to another locality together with the establishment shall be allowed only with the worker's consent in writing, corresponding modifications being made in the individual contract of employment, except the cases provided by this Law.

Section 18. Transfer of the worker to another workstation

Transfer of the worker to another workstation in the same establishment, to its another structural subdivision in the same locality, assignment to operate another machine or rig within the worker's speciality, skill or position stipulated in the individual contract of employment, shall not necessitate his consent unless it entails modification of terms and conditions of the individual contract of employment.

Section 19. Change of labour conditions

1. Following changes in organization of production and reduction of the employer's scope of work, some changes of the labour conditions shall be admissible as the worker continues his work in the same profession (speciality), professional skill, position. Any changes of the labour conditions should be brought to the worker's notice in writing for at least one month before.

2. When the labour conditions are changed, the individual contract of employment shall be modified or supplemented accordingly. Where the worker does not agree to continue the work in the new conditions, the individual contract of employment with him shall be dissolved in conformity with subsection 7) of Section 26 hereof.

Section 20. Temporary transfer to another post in case of production necessity

In the event of production necessity the employer shall be entitled to transfer the worker without his consent for a period of up to one month to another post not stipulated in the individual contract of employment and not contraindicative to his health in the same establishment, in the same locality with remuneration of the labour corresponding to the work performed, but not lower than an average monthly pay at the former post. Such transfer shall be permitted to prevent or liquidate natural disaster, a production breakdown or immediate control of their consequences, to prevent accidents, standstill, destruction of or damage to property.

Section 21. Temporary transfer in connection with standstill

In the event of a standstill the employer shall be entitled to transfer the worker without his consent with due account for his speciality and professional skill to another post not contraindicative to his health for a period of not over one month. Where the worker does not agree to continue the work in the new conditions, the individual contract of employment with him shall be dissolved in conformity with subsection 7) of Section 26 hereof.

Section 22. Limitation of temporary transfer to unskilled work

In the event of a standstill and replacement of an absent worker, no transfer of a skilled

worker to unskilled jobs shall be allowed without his written consent thereto.

Section 23. Temporary transfer to another post for health reasons

1. In connection with any occupational injury, disease or any other personal injury due to performance of labour duties with a particular employer, the latter shall be obliged to transfer the worker to a lighter job till complete rehabilitation or official establishment of his invalidity with payment of the difference between his wages at the previous post and the new one.

2. In the event of refusal of the worker to be transferred to another lighter job, the labour relations with him shall terminate from the moment of the refusal.

3. In conformity with the medical certificate, pregnant women shall be transferred to another job excluding any effect of heavy and detrimental occupational factors with preservation of the average wages at the previous post.

Section 24. Labour relations in case of change of the owner or reorganization of the establishment

Any change of the owner or reorganization (amalgamation, merger, division, isolation , transformation) of the establishment shall not terminate validity of the labour relations.

Section 25. Grounds for termination and dissolution of the individual contract of employment

1. The individual contract of employment can be terminated:

- 1) due to expiration of its term;
- 2) due to circumstances beyond the will of the parties.

2. The individual contract of employment can be dissolved:

- 1) by mutual consent of the parties;
- 2) on the initiative of one of the parties;
- 3) for other reasons envisaged by the laws and regulations.

3. The individual contract of employment concluded between the parties can be dissolved by mutual consent of the parties, the grounds for the dissolution of the individual contract of employment being a written consent of the worker and employer.

4. The individual contract of employment can be dissolved on the initiative of one of the parties provided that this party has given a notice in writing to the other party thereof within the time agreed upon in the individual contract of employment. The time of the notice shall not be less than one month before the date of the dissolution of the individual contract of employment.

5. The dissolution and termination of the individual contract of employment shall be documented by an order issued by the employer.

Section 26. Grounds for dissolution of the individual contract of employment on the employer's initiative

The individual contract of employment can be dissolved on the employer's initiative in the

following cases:

- 1) liquidation of the establishment (legal person), termination of the activity of the employer (natural person);
- 2) cutting down the number of the workers or staff;
- 3) disclosure during the action of the individual contract of employment of unfitness of the worker for the occupied post or performed work due to inadequate level of skill or state of health preventing him from continuation of this work;
- 4) failure to report for work for over two months owing to temporary disability, except for the time of being on a maternity leave, as well as for cases when the laws and regulations provide for a longer period of disability for certain diseases. The list of such diseases shall be approved by the Government of the Republic of Kazakhstan. The worker who has become disabled due to a labour injury or occupational disease shall be entitled to retention of his place of work (post) till rehabilitation or establishment of invalidity;
- 5) refusal of the worker to be transferred to another locality together with the establishment;
- 6) refusal of the worker to be transferred to a lighter job in compliance with paragraph 2 of Section 23 hereof;
- 7) refusal of the worker to continue work due to change of labour conditions;
- 8) repeated failure to perform his labour duties by the worker without good causes, provided he has a disciplinary penalty;
- 9) single gross violation of his labour duties by the worker.
The single gross violations of the worker's labour duties include: failure of the worker to report for work during three hours in one working day without good causes; reporting for work in a state of alcoholic or narcotic intoxication or intoxication of any other kind; use during the working hours of agents causing alcoholic or narcotic intoxication or intoxication of any other kind; violation by the worker of safety or fire prevention rules that resulted or could result in grave consequences, including injuries and accidents; theft at the place of work of property (including petty embezzlement) qualified as such by the sentence or ruling of the court which came into force;
- 10) commitment of unlawful acts by the worker directly engaged in dealing with monetary or commodity values if these acts give grounds for the employer to lose confidence in him;
- 11) commitment of an immoral act by the worker performing instructional functions in the sphere of education, this act being incompatible with continuation of the work;
- 12) divulging of the information classified as the state, service, commercial or other law-protected secrets entrusted to the worker under the individual contract of employment;
- 13) refusal of the worker to work in case of temporary transfer to another job in compliance with Section 21 and subsection 5) of this Section;
- 14) reinstatement in employment of the worker, who had earlier been performing it, by the ruling of the court.

Section 27. Restrictions of the possibility to dissolve the individual contract of employment on the employer's initiative

1. When dissolving the individual contract of employment on the grounds provided by subsections 1) and 2) of Section 26, the employer should notify the worker thereof in writing for at least one month.

2. In the event of dissolution of the individual contract of employment on the grounds provided by subsections 1) and 2) of Section 26 and subsection 1) of Section 30 hereof, the employer shall pay a compensation to the worker in the amount of his average monthly wages.

3. The individual contract of employment may establish other grounds and amounts for the compensations.

Section 28. Grounds for dissolution of the individual contract of employment on the worker's initiative

1. The worker shall be entitled to terminate the individual contract of employment having notified the employer thereof for one month.

2. By agreement between the parties the individual contract of employment can be terminated before the expiration of the notice period.

3. Where there are circumstances ruling out or substantially impeding continuation of the employment (state of health, pension age, moving to another locality, untimely payment of wages and other conditions), the contract of employment shall be terminated at the time specified in the worker's application.

Section 29. Reinstatement in employment

In the event of dissolution of the individual contract of employment without lawful grounds or unlawful transfer to another job, the worker should be reinstated in his previous employment by the body examining the labour dispute.

The worker reinstated in his previous employment as a result of unlawful dissolution of the individual contract of employment shall be paid average wages for the entire time of his enforced idleness but not more than for three months.

Section 30. Termination of the individual contract of employment due to circumstances beyond the will of the parties

The individual contract of employment shall be subject to termination due to the following circumstances beyond the will of the parties:

- 1) when the worker is drafted to the military service on presentation of corresponding documents within three days;
- 2) when the court sentence which has come into force convicts the worker so that the continuation of the previous employment is ruled out;
- 3) in case of death of the worker and in case of finding him dead or missing by the court;
- 4) in case of finding the worker incapable or of limited ability by the court, due to which he is unable to continue the previous work.

The date of dissolution of the individual contract of employment under subsections 2) - 4) of this Section shall be that of coming of the sentence into force, ruling of the court or date of the death.

Section 31. Suspension from duties

1. On demand of competent authorities in cases provided for by laws and regulations, the employer should suspend the worker from his duties on the grounds of resolutions and decisions drawn up by these bodies within the limits of their competence.

2. Besides the instances stipulated in the laws and regulations, the employer shall be obliged to suspend the worker from his duties, if he:

- 1) reports for the work in a state of alcoholic or narcotic intoxication or intoxication of any other kind;

- 2) failed to pass the examination in labour protection rules;
- 3) neglects application of required individual protection equipment provided by the employer;
- 4) failed to pass medical examination where it is obligatory according to the laws and regulations.
- 3. For the period of the suspension from the duties, the wages shall not be retained.
- 4. The suspension from the duties may last for a period required for clarification of the reasons which have brought about the grounds for the suspension.

Chapter 3- COLLECTIVE AGREEMENT

Section 32. Right to adoption of a decision to conclude the collective agreement

1. One or several employers (their representatives) and one or several trade unions or workers who are not members of any trade unions but who formed their organization may hold bargaining in an effort to conclude the collective agreements.
2. The employer shall bargain with all representatives of the parties concluding the collective agreement.
3. The action of the collective agreement shall extend to the workers on whose behalf the collective agreement was signed.
4. A bilateral commission shall be formed for the bargaining with equal representation of both parties.

Section 33. Contents and structure of the collective agreement

1. The contents of the collective agreement shall be determined by the parties at a meeting of the bilateral bargaining commission.
2. The collective agreement shall include the following provisions:
 - time of its validity; procedure of supervision of its fulfillment;
 - liability for non-fulfillment of terms and conditions of the agreement;
 - procedure of making modifications and supplements to the agreement.
3. Provisions of the collective agreements cannot restrict any rights of the workers, impair conditions of their labour and violate guarantees provided for by the laws and regulations.

Section 34. Procedure of development and conclusion of the collective agreement

1. Initiative of developing the draft collective agreement and tabling it to the consideration of the commission may belong to either party.
The draft shall be subject to obligatory discussion by the workers of the establishment. Forms of discussing the draft shall be determined by the workers themselves.
The draft shall be finalized by the commission with due account for the remarks and proposals suggested.
2. When the parties reach consensus, the collective agreement shall be made in at least duplicate and signed by representatives of the parties.

Section 35. Validity and sphere of application of the collective agreement

1. The collective agreement shall be concluded for a term determined by the parties.
2. The collective agreement shall come into force at the date of its signing unless provided otherwise by its provisions. It shall be binding upon the parties.
3. The collective agreement shall remain valid and effective in case of any change of the structure and composition of the managing body of the establishment.
4. The collective agreement shall remain effective for the period of reorganization (amalgamation, merger, division, isolation , transformation) of the establishment. The collective agreement can thereafter be revised on the initiative of one of the parties.
5. When the owner of the establishment changes, the validity of the collective agreement shall remain for three months. During this period the parties shall be empowered to start bargaining about conclusion of a new collective agreement or retention, modification or supplementing of the existing one.
6. In the event of liquidation of the establishment or adjudging it bankrupt, the collective agreement shall become invalid from the date of adoption of a corresponding decision about the liquidation or bankruptcy.
7. Modifications of and supplements to the collective agreement during the period of its validity shall be made only by mutual consent of the parties in line with the procedure stipulated in the collective agreement.
8. The representatives of the parties shall be obliged to familiarize the workers with the collective agreement and keep them informed about its fulfillment.

Chapter 4- REGULATION OF LABOUR RELATIONS OF SOME CATEGORIES OF WORKERS

Section 36. Seasonal workers

1. Seasonal workers are those who by virtue of natural and climatic conditions perform their work not throughout the calendar year but within a certain period (season) not exceeding six months.
2. The seasonal workers shall be covered by this Law insofar as their labour relations are not regulated by their individual contracts of employment and provisions of the Law are not contrary to the character of the seasonal work.

Section 37. Conclusion of the individual contract of employment with seasonal workers

When employing seasonal workers, no probation shall be conducted for the purpose of checking the worker for conformity with the assigned work.

Section 38. Grounds for dissolution of the individual contract of employment for seasonal work

1. The party engaged in seasonal works shall be entitled to early dissolution of the individual contract of employment at its own will having notified the other party thereof for

one week.

2. The individual contract of employment with the seasonal workers can also be dissolved on the employer's initiative (in addition to other grounds provided for hereby) in the following cases:

- 1) suspension of the work by the employer for a period exceeding two weeks for the reasons of production nature;
- 2) absence of the worker at the workstation for one working day without a good reason and continuous absence for more than one month due to temporary disability.

Section 39. Domestic workers

1. The workers who conclude the individual contract of employment for performance of work (rendering of services) in the household of the employers - natural persons, shall be regarded as domestic workers.

2. Relations arising out of performance of work (rendering of services) between the employer - a natural person, and the workers who perform the work in the household of these employers shall be documented by the individual contract of employment.

3. The individual contract of employment with the domestic workers can be dissolved on the initiative of either of the parties at any time.

4. The domestic workers shall be covered by this Law insofar as their labour relations are not regulated by their individual contracts of employment and provisions of the Law are not contrary to the character of the domestic work.

Section 40. Outworkers

1. Outworkers are persons who concluded the individual contract of employment with the employer concerning performance of some work personally at home from own materials and with the use of own equipment, tools and fixtures or those supplied by the employer or purchased at the employer's expense.

2. The outworkers shall be covered by this Law insofar as their labour relations are not regulated by their individual contracts of employment and provisions of the Law are not contrary to the character of the outworkers' labour.

Section 41. Labour of the workers of shift rotation pattern

The shift rotation pattern is a special form of the labour process outside the place of permanent residence of the workers when return to their residence every day cannot be ensured.

The employer shall provide the workers in the shift rotation pattern while they are at the production facility with an accommodation designed to support their life, transport to the place of work and back and with conditions for work and rest between the daily shifts.

Section 42. Duration of the rotation shift

The period of performing the work at the facility and the rest between the daily shifts at the rotation settlement shall not exceed fifteen calendar days.

In exceptional cases, at selected facilities the duration of the rotation shift can be extended by the employer by agreement with the representatives of the workers of the establishment to thirty calendar days.

Section 43. Registration of hours of work in the shift rotation pattern work

In the shift rotation pattern work the hours of work shall be summed up for a month, a quarter or a longer period of time not exceeding one year.

The registration period shall include all the hours of work, time in transit from the location of the establishment or the gathering place to the place of work and back, as well as the time of rest during the given calendar period of time, the total duration of the hours of work for the period in question being not over the standards set forth by this Law.

Section 44. Other categories of workers

Labour relations of other categories of the workers shall be regulated in compliance with this Law and other laws and regulations governing labour relations of other categories of the workers.

Chapter 5- HOURS OF WORK

Section 45. Normal hours of work

1. The hours of work are the time during which the worker concerned should fulfill his labour duties in compliance with the terms and conditions of the individual contract of employment.

2. The hours of work should not normally exceed forty hours in the week.

3. The individual contracts of employment may provide for a shorter duration of the working time by agreement between the parties.

Section 46. Shorter working hours for some categories of the workers

1. Shorter hours of work shall be laid down for some categories of the workers:

- 1) not over 24 hours of work in the week for the workers of the age from fourteen to sixteen years and not over 36 hours of work in the week for the workers of the age from sixteen to eighteen years;
- 2) not over 36 hours of work for the workers engaged in heavy manual work and work with harmful conditions of labour.

2. The list of the undertakings, shops, professions and posts as well as the list of jobs with harmful (very harmful) and/or heavy (very heavy), dangerous (very dangerous) conditions of labor, engagement in which entitles the workers to the shorter hours of work, shall be determined by the labour public authority.

Section 47. Five- or six-day working week and hours of work in the day

A five-day working week with two days off shall be established for the workers. In case of the five-day working week, the hours of work in the day (shift) shall be determined by the

employer's instrument or schedule of shifts approved by the employer with due account for specific character of the work, opinion of the workers' collective and with observance of the duration of the working week.

A six-day working week with one day off shall be set in the establishments where the five-day working week is inexpedient for the reasons of production and conditions of work. With the six-day working week, the duration of the daily work should not exceed 7 hours for the 40-hour week, 6 hours for the 36-hour week and 4 hours for the 24-hour week.

The five- or six-day working week shall be fixed by the employer, conditions of the contract of employment of collective agreement.

Section 48. Night work

1. The night signifies a period between 22.00 and 6.00.
2. Pregnant women can be engaged in the night work with their consent only.
3. Persons under eighteen years of age and other persons for whom the night work is forbidden for medical reasons which is confirmed by a medical certificate shall not be admitted to the night work.

Section 49. Restrictions on overtime

1. The overtime signifies the work in excess of the work hours laid down in Section 45 hereof.
2. Assignment to the overtime shall be allowed with the worker's consent only, except the cases provided by Section 51 hereof.
3. Workers under eighteen years of age shall not be admitted to work overtime.

Section 50. Maximum duration of overtime

The overtime work should not exceed two hours of work for every worker (one hour for those engaged in heavy manual work and that with harmful and/or dangerous conditions of labour) in one calendar day.

For those engaged in the work with very harmful and very dangerous conditions the work overtime shall be forbidden.

Section 51. Exceptional cases when work overtime is allowed without consent of workers

The work overtime without consent of the worker shall be allowed only in exceptional cases:

- 1) in performance of works necessary for the defense of the country as well as for preventing emergency situations or acts of natural calamities, industrial accidents or immediate control of their consequences;
- 2) in performance of works of public necessity pertaining to water, gas and heat supply systems, systems of lighting, sewerage, transport, communication so as to remove any accidental or unexpected circumstances interfering with their proper functioning;
- 3) for continuation of the work in case of the absence of the relief worker where the work

cannot be interrupted, but for the maximum of hours provided for by Section 50 hereof.

Section 52. Keeping record of hours of work

1. The employer should keep record of the hours of work actually worked by every worker with this particular employer.

2. In establishments with a continuous cycle of work, in some sectors of production, shops, bays, divisions and at some jobs where no fixed duration of the established working week for such jobs can be observed, it shall be allowed that the record of the hours of work should be summed up, provided that the duration of the working time for the period under review does not exceed the normal number of the working hours in the week set forth by this Law.

3. In case of application of the summed up record of the working time, the daily or weekly working hours may be more or less than the daily or weekly standard.

4. The total of the working hours for the period under review should not be necessarily equal to the standard for this period.

5. In case of the summed up recording of the hours of work, the period under review shall be that during which the average duration of the working day and working week established for the given category of the workers should be observed.

6. The procedure of application of the summing up of the working time record shall be determined by the employer's instruments and fixed in the collective agreement.

Chapter 6- TIME OF REST

Section 53. Break for rest and taking food

1. During daily work (shift) the worker should be provided with a break for rest and taking food which should in total be at least one hour long. This break shall not be included in the hours of work and be used by the worker at his discretion.

2. The time of the break and its duration shall be specified in the employer's instruments, individual contract of employment, collective agreement .

3. At the works where conditions of the production rule out any breaks, the employer should provide the worker with an opportunity to have rest and take food during his working hours. The list of such jobs, the procedure and place of having rest and taking food shall be determined by the employer's instruments.

Section 54. Special breaks

The workers engaged in work in cold seasons in the open air or in covered unheated premises, loaders engaged in cargo handling shall be granted special breaks for warming up and rest. The special breaks shall be included into the hours of work.

Section 55. Duration of daily rest period

Duration of the daily rest period of the worker between the end of the work and beginning it on the next day (shift) may not be less than 12 hours.

Section 56. Days off

1. The workers shall be granted days off (weekly continuous rest time).
2. With a five-day working weeks the workers shall be provided with two days off, and in case of a six-day week, with one day.
3. Sunday shall be a common day off, the second day-off being established by the employer's instrument or the schedule of work. Both days off shall be granted in succession, as a rule.
4. When holidays coincide with week-days and for the purpose of efficient use of the working time, the Government of the Republic of Kazakhstan shall be entitled to carry the days off over to other week-days.
5. Assignment of the worker to work on his days off shall be allowed only with his consent, except the cases provided by Section 59 hereof.

Section 57. Days off in establishments with uninterrupted cycle of work

In establishments where on days off the work cannot be suspended due to production and technical conditions or due to necessity of constantly and uninterruptedly servicing the population, as well as in establishments with an uninterrupted production cycle, the days off shall be granted on different days of the week alternately to each group of the workers in compliance with the shift schedule approved by the employer's instruments.

Section 58. Work on holidays

No work shall be done on official holidays set in the Republic of Kazakhstan except the establishments where suspension of the work on days off is impossible for production and technical reasons or due to necessity of constantly and uninterruptedly servicing the population.

Section 59. Assignment to work on days off

Assignment to work on days off shall be allowed in the following cases:

- 1) to prevent emergency situations or natural calamities, industrial accidents or immediate control of their consequences;
- 2) to prevent and investigate accidents, loss of or damage to property;
- 3) to perform stringent, earlier unforeseen works, the urgent performance of which is imperative for normal functioning of the establishment or its separate subdivisions in future.

Section 60. Annual leave with pay

1. Workers employed under an individual contract of employment shall be granted a paid annual leave with retention of their place of work (position) and average monthly pay.
2. The leave shall be paid up for at most three calendar days before its beginning.
3. The annual leave with pay granted to the workers shall be of at least eighteen calendar

days duration unless provided otherwise by other laws and regulations for some categories of the workers, by other legal regulatory instruments, individual contracts of employment, collective agreements and employer's instruments.

4. Annual additional leaves with pay shall be granted to the workers engaged in heavy manual work and that with harmful and dangerous conditions of labor, as per the list of jobs, professions and posts worked out by the competent public authority.

5. The conditions and procedure of granting the annual leave with pay shall be specified in the individual contract of employment and collective agreement.

6. It is forbidden that the annual leave be withheld for two consecutive years.

Section 61. Calculation of the length of service enabling the worker to the annual leave with pay and procedure of granting the leaves

1. Duration of the annual leaves shall be calculated in calendar days less holidays which fall on the period of the leave, irrespective of the work schedules and timetables applied.

2. The length of service enabling the worker to the annual leave shall include:

- 1) time actually worked during the working year;
- 2) time of enforced idleness during unlawful dismissal;
- 3) time of medical treatment confirmed by a medical certificate.

3. The employer shall be obliged to grant the annual leave to the worker.

4. The annual leave for the first year of employment shall be granted upon expiration of the first year of work under the individual contract of employment.

5. The annual leave can be given to the worker at his will piecemeal.

Section 62. Priority of granting the annual leaves to workers

1. The priority in granting the annual leaves to the workers shall be determined as specified by the individual contract of employment, collective agreement, schedule of leaves and employer's instruments.

2. In case of changing the schedule of leaves due to any business necessity, the employer should notify the worker about the time of his leave at least two weeks before the beginning of the leave.

Section 63. Cases of deferral or prolongation of the annual leaves

1. The annual leave can be deferred or prolonged in full or in part in case of temporal disability of the worker, in case of being on the maternity leave, the temporary disability benefit for the days falling on the annual leave being withheld.

2. The annual leave (part of it) can be prolonged or deferred to the following working year only with consent of the worker or by his request. Thus deferred leave by agreement between the parties can be attached to the leave for the following year or granted, by the worker's request, separately at a different time.

Section 64. Recall from the annual leave

The annual leave can be discontinued at the employer's proposal and with the worker's consent (recall from the leave). The unused in this connection part of the leave by agreement between the worker and employer shall be granted during the current year or, at the worker's will, attached to the leave in the following working year or be compensated with money.

Section 65. Leaves without pay

By agreement between the parties, on the basis of his application the worker can be granted a leave without pay.

Section 66. Maternity leaves. Leaves to women (men) who adopted children

Women shall be granted maternity leaves of seventy calendar days before the childbirth and fifty-six (seventy in case of complicated childbirth or delivery of two or more children) days after the childbirth, the calculation being made on a summing-up basis irrespective of the number of the days actually used before the childbirth, with payment of the maternity allowance for these periods at the employer's cost irrespective of the service longevity in the establishment.

Women (men) who adopted newborn children directly from the maternity home shall be granted a leave for the period from the day of the adoption till expiration of fifty-six days from the day of the childbirth, with payment of the allowance to them during this period at the employer's cost irrespective of the service longevity in the establishment.

Section 67. Additional leave without pay to mothers having children of up to eighteen months of age and to women (men) who adopted children

In addition the maternity leave, the woman at her request shall be granted an additional leave without pay for care of the child till the age of eighteen months. The place of work (position) shall be retained for the period of the leave.

Women (men) who adopted newborn children directly from the maternity home shall at their request be granted an additional leave without pay for care of the child till the age of eighteen months, the place of work (position) being retained for this period.

This leave can be used in full or in part at any time till reaching the age of eighteen months by the child.

Section 68. Compensation for unused annual leave in case of dissolution of the individual contract of employment

1. In case of dissolution of the individual contract of employment regardless of its grounds, the worker who has not used or has partly used his annual leave shall be paid a compensation.

2. If, by the day of the dissolution of the individual contract of employment, the worker has worked part of the working year, the compensation shall be paid out proportionally to the time worked.

3. The money compensation for the unused leave in case of the dissolution of the individual contract of employment shall be paid on the day of termination of the individual contract of

employment.

Section 69. Academic leave

The workers who study at an educational institution can be granted additional leaves with or without pay for the period of taking examinations and tests, preparation and defense of the diploma project (paper), taking final examinations.

Chapter 7- WAGES AND RATING OF LABOUR

Section 70. Wages

1. The employer must pay the worker's labour in conformity this Law, individual contract of employment and collective agreement.

2. The labour of the workers shall be paid on time basis, piece-work basis or any other system of labour remuneration.

3. The worker's wages shall be determined depending on the quantity, quality and complication of the work done.

To increase material incentives of the workers to raising the efficiency of production and quality of the work, systems of bonuses, remuneration by the results of work for the year and other forms of material encouragement can be applied.

4. Systems of the labour remuneration in establishments shall be determined by the collective agreements or employer's instruments.

5. The professional skill requirements to the workers and complication of particular jobs shall be identified on the basis of the professional skill reference book of the jobs and professions of the workers and professional skill reference book of the office workers' positions. The development and procedure of application of the above reference books shall be determined by the labour public authority. Complication of the work done and professional skill grades of the workers shall be identified by the employer on his own in compliance with the professional skill reference book of the jobs and professions of the workers and professional skill reference book of the office workers' positions.

Section 71. Amount of wages

The amount of the wages shall be established by the employer on his own and cannot be lower than the minimum amount of the wages established by the laws of the Republic of Kazakhstan.

Section 72. Wages in case of combination of professions (expansion of service range) and fulfillment of duties of a temporarily absent worker

1. Workers performing in the same establishment some additional work in another profession on parity with their principal job stipulated by the individual contract of employment, or fulfilling duties of a temporarily absent worker without being relieved of their principal job shall receive extra pay.

2. The amount of the extra pay for combining professions (expansion of the service range) or fulfillment of duties of a temporarily absent worker shall be established by the employer by agreement with the worker.

Section 73. Payment for overtime work and work on holidays and days off.**Payment for night work**

1. Overtime work shall be paid at not lower than one and a half rate.
2. Work on holidays and days off shall be paid at not lower than double rate.
3. At the worker's will the work on holidays and days off can be compensated with an additional day of rest.
4. Every hour of work at night shall be paid at not lower than one and a half rate.

Section 74. Payment for idle time

1. The procedure and conditions of payment for the idle time shall be determined by the individual contract of employment or collective agreement.
2. The period of idleness through the worker's fault shall not be paid.

Section 75. Labour rates

1. Labour rates (rates of production, time, service) are a measure of labour consumption, prescribed to workers to comply with the attained level of technology, production process and labour organization and management.

2. The introduction, changing and revision of the labour rates shall be done by the employer.

The workers should be informed about introduction of new labour rates for at least one month.

3. To enable the workers to cope with the production rates, the employer should ensure normal labour conditions.

4. Production rates for the workers under eighteen years of age shall be established on the basis of the rates for the adult workers proportionally to the reduced number of the hours of work for the persons under eighteen years of age in compliance with the individual contract of employment.

Section 76. Time of payment of wages

1. Wages shall be paid at least once a month. The pay day shall be specified by the individual contract of employment and collective agreements.

2. When the pay day coincides with days-off or holidays, the payment shall be effected on the eve of such days.

3. When payment of wages and, in case of dissolution of the individual contract of employment with the worker, payment of other amounts due to the worker are delayed as compared with the fixed time through the fault of the employer, the latter shall pay the debt and penalty. The amount of the penalty shall be set by the rate of refinancing of the National

Bank of the Republic of Kazakhstan as of the day of the of the employer's obligation to effect the payment, the penalty being accrued for every calendar day of the delay, beginning from the day following the fixed time of the payment and ending by the day of actual payment.

4. In the event of dissolution of the individual contract of employment , all the amounts due to the worker shall be paid not later than the last working day.

Section 77. Place of payment of wages

1. Payment of wages to the workers shall normally be effected at the place of their work unless provided otherwise by the individual contract of employment , collective agreement and employer's instruments.

2. As regards the worker performing assignments of the employer outside the place of his permanent work (on a business mission, in the customer's establishment, etc), the employer should ensure delivery of wages at his expense.

Section 78. Calculation of average wages of the worker

Average wages of the workers for purposes of payment of pensions, temporary disability benefits, maternity benefits and other payments shall be calculated according to the procedures determined by the Government of the Republic of Kazakhstan.

Section 79. Deductions from wages

Any deductions from wages of the worker shall be made by the ruling of the court and in cases provided by the laws of the Republic of Kazakhstan.

Chapter 8- GUARANTEES AND COMPENSATIONS TO WORKERS

Section 80. Guarantees to workers performing public duties

The employer can release the worker from his work for the period of performance of public and social duties with retention of his place of work (positions).

The worker who has served regular military service shall have a preferential right of being employed at the enterprise from which he was drafted.

Section 81. Guarantees to workers sent for medical examination

For the time of periodical medical examinations of the workers who are obliged to undergo such examinations at the employer's expense, their place of work (position) and average monthly wages shall be retained.

Section 82. Guarantee to workers sent for upgrading their professional skill and retraining

When the worker is sent for upgrading his professional skill and retraining, the work being discontinued, his working place (position) and average monthly wages shall be retained.

Section 83. Compensations for of business trips

Workers sent on business trips shall be paid:

- 1) daily allowance for the time of the trip;
- 2) expenses for travelling to and from the trip destination;
- 3) accommodation allowance.

Section 84. Compensations in case of transfer to work in another locality together with the establishment

The procedure and amount of the compensation for expenses when the worker is transferred to work in another locality together with the establishment shall be determined by agreement between the parties.

Section 85. Social benefits in case of temporary incapacity to work

Social benefits in case of temporary incapacity to work shall be granted in connection with sickness of a general nature (injury, abortion, quarantine, temporary transfer to another job due to contraction of tuberculosis or any occupational disease) and in other instances provided by the laws.

Section 86. Maternity social benefits and social benefits to women (men) who adopted children

Maternity social benefits as well as social benefits to women (men) who adopted children directly from the maternity home shall be granted for the entire period of the maternity leave or leave for a period from the day of the adoption to expiration of fifty-six days from the birthday of the adopted child.

Section 87. Payment of social benefits to workers at the expense of the employer

1. The employer shall be obliged at his own expense to pay to the worker social benefits in case of temporary incapacity to work in connection with sickness of a general nature, injury received at the work, occupational disease, maternity benefit, as well as social benefits to women (men) who adopted children.

2. The procedure of the payment and amount of the social benefits shall be determined by the laws of the Republic of Kazakhstan.

When the temporary incapacity to work is connected with an injury received at the work or occupational disease, the social benefit shall be paid by the employer in the amount of one hundred per cent of the average wages from the first day of the incapacity till resumption of the work or establishment of invalidity.

3. For non-fulfillment or inadequate fulfillment of his duties as regards the payment of the social benefits, the employer shall bear liability fixed by the laws of the Republic of Kazakhstan.

Section 88. Training and upgrading of professional skill at the employer's expense

1. The employer has the right to train or send the worker for training in the employer's interest at his own expense.

2. The worker who has passed training, upgrading of his professional skill or re-training at the employer's expense shall be obliged to work with that employer for a certain time agreed upon by the parties in the individual contract of employment.

3. In case of dissolution of the individual contract of employment on the worker's initiative or on the employer's initiative due to the worker's fault, the worker shall fully compensate the employer for the expenses connected with his training proportionally to the remaining part of the stipulated time.

Chapter 9- FINANCIAL LIABILITY OF PARTIES TO INDIVIDUAL CONTRACT OF EMPLOYMENT

Section 89. Liability of party to indemnify for damage caused by it

1. A party to the individual contract of employment which has caused any damage to the other party shall indemnify the latter for it in conformity with this Law and other laws and regulations on the basis of the court ruling or voluntary basis.

2. Details of the financial liability of the parties to the individual contract of employment shall be stipulated in the contract.

Section 90. Liability of the employer for harm inflicted on the worker's health by an injury or otherwise

1. If during fulfillment of his labour (service) duties, the worker shall suffer an injury or any other harm to the health through the employer's fault as a result of which he has lost ability to work in full or in part, the employer shall be obliged to indemnify him for the harm on the terms and according to the procedures envisaged by the laws and regulations of the Republic of Kazakhstan unless the worker is entitled to the insurance benefit.

2. The liability of the employer for the harm inflicted on the life and health of the worker while in line of the labour duties shall be subject to insurance.

Section 91. Instances of full financial liability of the workers

The workers shall bear financial liability in the full measure for the damage inflicted through their fault on the employer in the instances when:

- 1) there is an agreement in writing between the worker and employer about acceptance of full financial liability for a failure to ensure safety of property and other values transferred to the worker;
- 2) in compliance with the laws and regulations, full financial liability is imposed upon the worker for any damage inflicted on the employer while in line of duty;
- 3) the property and other values were received by the worker on account against a nonrecurrent power of attorney or other nonrecurrent documents;
- 4) the damage was inflicted by the worker in a state of alcoholic or narcotic intoxication or intoxication of any other kind;
- 5) the damage was inflicted by deficit, intentional destruction or intentional spoiling of materials, semi-finished products, articles (products), including those in the process of their manufacture, as well as of tools, instruments, special clothing and other articles issued by the employer to the worker for use;
- 6) the damage was inflicted as a result of disclosure of commercial secrets;
- 7) the damage was inflicted by actions of the worker which have elements of acts entailing criminal prosecution.

Section 92. Agreements in writing on full financial liability

1. Agreements in writing on full financial liability can be concluded by the employer with the worker who has reached the age of eighteen years and occupies a position or is engaged in works directly connected with safekeeping, processing, sale (dispensing), carriage and utilization in a production process of values handed over to him.

2. The list of such positions and jobs and a type agreement on full individual financial liability shall be approved in the collective agreements.

Chapter 10- INCENTIVES AND PUNISHMENTS APPLICABLE TO WORKERS

Section 93. Labour incentives

The employer shall have the right to apply various forms of incentives to the workers for their good work. The forms of the incentives and procedure of their application shall be determined by the individual contract of employment, collective agreement and employer's instruments.

Section 94. Disciplinary sanctions

1. For a breach of labour discipline by the worker, i.e. for non-fulfillment or inadequate fulfillment of his labour duties through his fault, the employer shall be empowered to apply the following disciplinary sanctions:

- 1) reproof;
- 2) reprimand;
- 3) dissolution of the individual contract of employment in compliance with subsections 9) - 12) of Section 26 hereof.

2. Application of any disciplinary sanctions not envisaged by this Law shall not be allowed.

Section 95. Procedures of application of and appeals against disciplinary sanctions

1. Before application of any disciplinary sanction the worker should be demanded to present his explanations in writing.

2. A disciplinary sanction shall be applied not later than one month after disclosure of the misdeed and cannot be applied later than six months after its commitment.

3. Only one disciplinary sanction can be applied for every misdeed.

4. The order about the administration of the disciplinary sanction shall be brought to notice of the worker against his signature.

5. When applying a disciplinary sanction, the employer should take into consideration the seriousness of the misdeed, circumstances of its commitment, previous behaviour of the worker, his attitude towards the work, as well as correspondence of the sanction to the seriousness of the misdeed.

6. Any disciplinary sanction can be appealed against, according to the procedure provided for consideration of individual labour disputes.

Section 96. Validity of disciplinary sanctions

1. The validity of a disciplinary sanction shall not exceed six months from the day it was imposed. If within this period the worker is not subjected to a new sanction, he shall be deemed clear of the sanction.

2. The employer who imposed a disciplinary sanction shall be entitled to lift it ahead of time on his own initiative, or at the request of the worker, or his immediate superior, petition of the workers and their representatives.

Chapter 11- LABOUR DISPUTES

Section 97. Procedure of consideration of labour disputes

Labour disputes shall be considered by agreement between the parties or judicially.

The procedure of consideration of labour disputes in courts shall be determined by laws of the Republic of Kazakhstan.

Section 98. Bodies considering labour disputes and procedure of their consideration

By agreement between the parties, labour disputes can be considered by a conciliation commission.

Section 99. Organization and competence of the conciliation commission

The conciliation commission shall be formed on parity basis from the equal numbers of representatives of the employer and workers by a mutual decision of the parties.

The workers' representatives shall be elected to the conciliation commission by a general meeting (conference) of the establishment.

The employer's representatives shall be appointed by the director of the establishment.

Organizational and technical support of the conciliation commission shall be provided by the employer.

The conciliation commission shall elect the chairman and secretary of the commission from among its composition.

Section 100. Procedure of consideration of labour disputes. Adoption and enforcement of its decision.

The conciliation commission shall consider the claimant's petition within three days from its filing. By results of the consideration, the conciliation commission adopts a decision which is issued to the claimant. The decision of the conciliation commission to the satisfaction of the claimant shall be executed by the adverse party within three days.

Section 101. Exemption of workers from court costs for labour proceedings

When the workers bring to the court an action for claims out of labour relations, they shall be exempt from payment of the court expenses to the public revenue (state fees and costs pertinent to trial).

Chapter 12- SUPERVISION OVER OBSERVANCE OF THIS LAW

Section 102. Supervision over observance of labour laws and regulations

Supervision over the observance of this Law and other labour laws and regulations shall be exercised by public inspectors for labour of the labour public authority in conformity with the Regulations approved by the Government of the Republic of Kazakhstan.

Section 103. Competence of public inspectors for labour as regards the supervision

The competence of the public inspectors for labour, responsible for the supervision over observance of the labour conditions in compliance with this Law, shall comprise:

- 1) supervision over observance of this Law and other laws and regulations in the sphere of labour relations in establishments through examination of claims and conduct of inspections;
- 2) identification and analysis of causes of the breaches of the labour laws and regulations;
- 3) issue of prescriptions (orders) by the results of the supervision in conformity with Section 105 hereof;
- 4) development of measures aimed at improvement of the forms and methods of the supervision over observance of the labour laws and regulations;
- 5) cooperation with law-enforcement and other bodies of public administration.

Section 104. Rights of public inspectors for labour as regards the supervision

The public inspectors for labour in the exercise of their functions of supervision over observance of the labour laws and regulations in establishments shall have the right:

- 1) after presentation of a duly documented decision about the inspection, to visit establishments for the purpose of supervision over observance of labour conditions as prescribed by this Law;
- 2) to receive from the worker and employer the documents and information provided by this Law;
- 3) to draw up reports about breaches, to issue prescriptions concerning correction of violations of this Law, to bring complaints to the court;
- 4) to use official forms and stamps when executing the documents for identified breaches of the labour laws and regulations.

Section 105. Kinds of prescriptions issued by public inspectors for labour

1. In an effort to take concrete influential legal measures by the results of the supervision and depending on the nature of breaches disclosed, the public inspectors for labour shall issue a prescription to correct the breaches provided by this Law.

2. Forms of the prescriptions and procedure of their issue shall be determined by the labour public authority.

Section 106. Mandatory nature of the prescriptions issued by public inspectors for labour

The prescriptions issued by the public inspectors for labour supervising observance of the labour laws and regulations shall be mandatory for fulfillment by all establishments

regardless of the forms of ownership.

Section 107. Appeal against actions of public inspectors for labour

Actions of the public inspectors for labour shall be appealable according to the procedure provided by the laws and regulations.

The appeal shall not suspend execution of the prescriptions issued.

Section 108. Social supervision

Representatives of the workers shall carry out social supervision over the observance of terms and conditions of the individual contract of employment and collective agreement of the workers whose interests they represent.

Section 109. Liability for breach of the labour laws and regulations

Persons guilty of breaching the labour laws and regulations shall be subject to liability according to the procedure established by the laws and regulations of the Republic of Kazakhstan.

Signature: President of the Republic of Kazakhstan

N. NAZARBAYEV

Astana, December, 10, 1999 No.493-I 3PK.



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EXHIBIT 6

In June 2000, both houses of parliament unanimously approved a bill on the “first president of Kazakhstan,” which was introduced by the pro-presidential Civil Party. The new law confers lifelong powers and privileges on the “first president” in order to “prevent an erosion of the country’s achievements” after the end of Nazarbaev’s presidency. This legislation guarantees Nazarbaev membership on key advisory bodies and control over future presidents and governments. It lends credence to the view that Rakhat Aliev, the president’s son-in-law, is being molded as Nazarbaev’s successor. In a parliament packed with pro-regime supporters, there are few stumbling blocks to enacting further legislation that grants some form of immunity to other elected officials.

Civil Society

1997	1998	1999-2000	2001
5.25	5.00	5.00	5.00

The post-Soviet transition in Kazakhstan—at least its first decade—has culminated in the consolidation of authoritarianism through patronage networks. The virtual closure of all independent newspapers and media, tightened censorship, and strict governmental regulation of the civic sphere, on the one hand, and pervasive citizen apathy, on the other, present serious obstacles to civic activism and the rule of law.

Kazakhstan’s Law on Public Associations, adopted in 1998, contains severe restrictions on the right to free assembly. Specifically, holding a public rally requires prior permission from the authorities. Those accused of participating in an unsanctioned rally or meeting face arrest and fines. Persons convicted and fined in a court of law may not occupy public office or contest elections. Furthermore, Article 337 of the Criminal Code provides stiff penalties for participation in an unregistered public association. Overall, surveillance by the interior ministry, legal restrictions, and harsh penalties make it extremely difficult to organize spontaneous public action. The authorities have frequently used this provision to break up public meetings and protests.

Nongovernmental organizations (NGOs) have encountered fewer governmental obstacles and have continued to grow. There were 3,050 registered NGOs in early 1997. The Counterpart Consortium estimates that as of October 2000, 814 of these were fully functioning. NGOs together produce 35 newsletters and form seven major associations. More experienced organizations like the Counterpart Consortium, the Feminist League, and ISAR serve as umbrella organizations for newer NGOs.

Like political parties and public organizations, NGOs must register with the Ministry of Justice. NGOs devoted to social welfare issues are, on the whole, less subject to governmental pressures. Public interest organizations, human rights organizations, and Uighur rights advocacy groups

have faced greater struggles in obtaining registration, and maintaining their legal status. Nonetheless, some efforts at building up a mutual dialogue and partnership between the government and NGOs can be discerned.

In a poll of government officials in five cities conducted by the Association of Social and Political Scientists (ASiP), 41.5 percent of respondents recognized the need for the government to “collaborate” with NGOs. Kazakhstan’s Ministry of Labor and Social Protection has hired an NGO to supply hearing aids for the elderly. An ecological organization has received funds from the Akimat oblast to examine the level of air pollution. However, partnerships like these are still rare. NGOs essentially depend on external funding, usually from the West. And since international aid is on the decline, the sustainability of NGOs is a serious issue.

Negative attitudes to NGO activities are still common. However, the more successful NGOs, particularly in the health and education sectors, are slowly altering official and popular perceptions of their roles. Many NGOs came into being in order to tap into the funding opportunities created by international development programs. A significant number of these groups lack internal accountability and are primarily networks of friends and families with limited organizational capacity. The majority of available grants are for specific projects designed by development agencies, rather than for specific local initiatives. This has inspired some opportunistic individuals to organize into NGOs simply for profiteering purposes. Another problem is that NGOs have tended to cluster around Almaty and in the southern regions. About 45.7 percent are concentrated in the Almaty oblast, and an overwhelming proportion of these are in Almaty city. More remote regions, particularly in central and northeastern Kazakhstan, remain unaffected by NGO activity.

Obstacles to NGO activities are informal rather than legal. A common way to counteract their influence is to create a government-sponsored network of “independent” organizations that received favorable treatment in registering and obtaining funds. Genuinely independent groups, meanwhile, are subjected to legal, financial, and judicial pressures. Government-supported NGOs also compete for international aid. For example, the children’s health and charity fund Bobek, headed by Sara Nazarbaeva, serves as an umbrella organization and funnels international aid to smaller NGOs.

NGOs that promote women’s issues have been quite effective. The Women’s Network of Almaty, a support group set up in 1998, established the Political Alliance of Women’s Organizations to contest the 1999 elections. This led the government to sponsor a parallel group, the Association of Women Entrepreneurs, which was quickly granted registration, an office, and publicity.

Financial pressures push NGOs to cultivate informal patronage networks within the regime, but NGOs have to tread delicately between establishing good relations with officials and maintaining their autonomy. Groups working



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Since 1972, Freedom House has published an annual assessment of state state of freedom by assigning each country and territory the status of "Free," "Partly Free," or "Not Free" by averaging their political rights and civil liberties scores. Countries whose ratings average 1-2.5 are "Free," 3-5.5 "Partly Free," and 5.5-7.0 "Not Free." The total number of raw scores which determines the final rating factor which determines the final rating. For example, countries that receive a 6 for civil liberties, or a 6 and a 6 for civil liberties, could be "Not Free." The total number of raw scores which determines the final rating factor which determines the final rating. Territories with combined raw scores of 31-59 points are "Partly Free," and 60-88 are "Free."

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More information about the criteria used by Freedom House analysts to determine individual country ratings can be found in the [methodology section of the current Survey of Freedom](#).

Annual Survey of Freedom Country Scores 1972-73 to 1999-00

The attached tables list all country scores since the Freedom House annual comparative survey was first compiled for 1972-73. Following are some clarifying remarks:

The characters representing scores for each year are, from left to right, political rights, civil liberties, and freedom status. Each of the first two is measured on a one-to-seven scale, with one representing the highest degree of freedom and seven the lowest. "F," "PF," and "NF" respectively stand for "free," "partly free," and "not free." Countries whose combined averages for political rights and for civil liberties fall between 1.0 and 2.5 are designated "free;" between 3.0 and 5.5 "partly free;" and between 5.5 and 7.0 "not free." For a fuller explanation of the methodology, please consult the most recent edition of the survey.

Several countries became independent, split into two or more countries, or merged with a neighbor between 1972 and 1997. Scores for these countries are given only for the period of their existence as independent states.

Turkish Cyprus, which declared its independence in 1983, has been listed as a related territory of Turkey since the 1992-93 edition of the survey.

[Introduction](#)

[Afghanistan-Bhutan](#)

[Bolivia-Congo \(Brazzaville\)](#)

[Congo \(Kinshasa\) - Estonia](#)

[Ethiopia - Hungary](#)

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[Philippines - Slovakia](#)

[Solomon Islands - Turkey](#)

[Turkmenistan - Zimbabwe](#)

[Related Territory Ratings](#)

[All countries' scores: 1972-2000 \(Excel spreadsheet\)](#)

For 1972-73, South Africa was rated as "White" (2,3 Free) and "Black" (5,6 Not Free).

For Yugoslavia, ratings from 1991-92 to the present are for the country that remained following the departures between 1991 and 1992 of Slovenia, Croatia, Macedonia and Bosnia-Herzegovina.

Ratings for Zaire can be found under Congo (Kinshasa).

Ratings for Western Samoa can be found under Samoa.

Methodological changes have taken place periodically. For discussions of these, please consult the methodological essays for the various survey editions, particularly those for 1989-90, 1993-94 and 1995-96.

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Year	Iceland	India	Indonesia	Iran	Iraq	Ireland	Israel	Italy	Jamaica	Japan
1972-73	1,1,F	2,3,F	5,5,PF	5,6,NF	7,7,NF	1,2,F	2,3,F	1,2,F	1,2,F	2,1,F
1973-74	1,1,F	2,3,F	5,5,PF	5,6,NF	7,7,NF	1,2,F	2,3,F	1,2,F	1,2,F	2,1,F
1974-75	1,1,F	2,3,F	5,5,PF	5,6,NF	7,7,NF	1,2,F	2,3,F	1,2,F	1,2,F	2,1,F
1975-76	1,1,F	2,5,PF	5,5,PF	6,6,NF	7,7,NF	1,2,F	2,3,F	1,2,F	1,2,F	2,1,F
1976-77	1,1,F	2,5,PF	5,5,PF	6,6,NF	7,7,NF	1,1,F	2,3,F	2,1,F	1,3,F	2,1,F
1977-78	1,1,F	2,2,F	5,5,PF	6,5,NF	7,7,NF	1,1,F	2,3,F	2,1,F	2,3,F	2,1,F
1978-79	1,1,F	2,2,F	5,5,PF	6,5,PF	7,6,NF	1,1,F	2,2,F	2,2,F	2,3,F	2,1,F
1979-80	1,1,F	2,2,F	5,5,PF	5,6,PF	7,7,NF	1,1,F	2,2,F	2,2,F	2,3,F	2,1,F
1980-81	1,1,F	2,3,F	5,5,PF	5,5,PF	6,7,NF	1,1,F	2,2,F	1,2,F	2,3,F	1,1,F
1981-82	1,1,F	2,3,F	5,5,PF	6,6,NF	6,7,NF	1,1,F	2,2,F	1,2,F	2,3,F	1,1,F
1982-83	1,1,F	2,3,F	5,5,PF	6,6,NF	6,7,NF	1,1,F	2,2,F	1,2,F	2,3,F	1,1,F
1983-84	1,1,F	2,3,F	5,5,PF	6,6,NF	6,7,NF	1,1,F	2,2,F	1,2,F	2,3,F	1,1,F
1984-85	1,1,F	2,3,F	5,6,PF	5,6,PF	7,7,NF	1,1,F	2,2,F	1,1,F	2,3,F	1,1,F
1985-86	1,1,F	2,3,F	5,6,PF	5,6,PF	7,7,NF	1,1,F	2,2,F	1,1,F	2,3,F	1,1,F
1986-87	1,1,F	2,3,F	5,6,PF	5,6,PF	7,7,NF	1,1,F	2,2,F	1,1,F	2,3,F	1,1,F
1987-88	1,1,F	2,3,F	5,6,PF	5,6,PF	7,7,NF	1,1,F	2,2,F	1,1,F	2,2,F	1,1,F
1988-89	1,1,F	2,3,F	5,5,PF	5,6,NF	7,7,NF	1,1,F	2,2,F	1,1,F	2,2,F	1,1,F
1989-90	1,1,F	2,3,F	5,5,PF	6,5,NF	7,6,NF	1,1,F	2,2,F	1,1,F	2,2,F	1,1,F
1990-91	1,1,F	2,3,F	6,5,PF	6,5,NF	7,7,NF	1,1,F	2,2,F	1,1,F	2,2,F	1,1,F
1991-92	1,1,F	3,4,PF	6,5,PF	6,5,NF	7,7,NF	1,1,F	2,2,F	1,1,F	2,2,F	1,2,F
1992-93	1,1,F	3,4,PF	6,5,PF	6,6,NF	7,7,NF	1,1,F	2,2,F	1,2,F	2,2,F	1,2,F
1993-94	1,1,F	4,4,PF	7,6,NF	6,7,NF	7,7,NF	1,2,F	1,3,F	1,3,F	2,3,F	2,2,F
1994-95	1,1,F	4,4,PF	7,6,NF	6,7,NF	7,7,NF	1,2,F	1,3,F	1,2,F	2,3,F	2,2,F
1995-96	1,1,F	4,4,PF	7,6,NF	6,7,NF	7,7,NF	1,1,F	1,3,F	1,2,F	2,3,F	1,2,F
1996-97	1,1,F	2,4,PF	7,5,NF	6,7,NF	7,7,NF	1,1,F	1,3,F	1,2,F	2,3,F	1,2,F
1997-98	1,1,F	2,4,PF	7,5,NF	6,7,NF	7,7,NF	1,1,F	1,3,F	1,2,F	2,3,F	1,2,F
1998-99	1,1,F	2,3,F	6,4,PF	6,6,NF	7,7,NF	1,1,F	1,3,F	1,2,F	2,2,F	1,2,F
1999-00	1,1,F	2,3,F	4,4,PF	6,6,NF	7,7,NF	1,1,F	1,2,F	1,2,F	2,2,F	1,2,F
Year	Jordan	Kazakhstan	Kenya	Kiribati	Korea, N.	Korea, S.	Kuwait	Kyrgyz Rep.	Laos	Latvia
1972-73	6,6,NF	-	5,4,PF	-	7,7,NF	5,6,NF	4,4,PF	-	5,5,PF	-
1973-74	6,6,NF	-	5,4,PF	-	7,7,NF	4,6,PF	4,3,PF	-	5,5,PF	-
1974-75	6,6,NF	-	5,4,PF	-	7,7,NF	5,6,PF	4,3,PF	-	5,5,PF	-
1975-76	6,6,NF	-	5,5,PF	-	7,7,NF	5,5,PF	4,3,PF	-	6,6,NF	-
1976-77	6,6,NF	-	5,5,PF	-	7,7,NF	5,6,NF	6,5,NF	-	7,7,NF	-

1977-78	6,6,NF	-	5,5,PF	-	7,7,NF	5,5,PF	6,4,PF	-	7,7,NF	-
1978-79	6,6,NF	-	5,5,PF	2,2,F	7,7,NF	5,5,PF	6,3,PF	-	7,7,NF	-
1979-80	6,6,NF	-	5,4,PF	2,2,F	7,7,NF	4,5,PF	6,4,PF	-	7,7,NF	-
1980-81	6,6,NF	-	5,4,PF	2,2,F	7,7,NF	5,6,PF	6,4,PF	-	7,7,NF	-
1981-82	6,6,NF	-	5,4,PF	2,2,F	7,7,NF	5,6,PF	4,4,PF	-	7,7,NF	-
1982-83	6,6,NF	-	5,5,PF	2,2,F	7,7,NF	5,6,PF	4,4,PF	-	7,7,NF	-
1983-84	6,6,NF	-	5,5,PF	1,2,F	7,7,NF	5,6,PF	4,4,PF	-	7,7,NF	-
1984-85	5,5,PF	-	6,5,PF	1,2,F	7,7,NF	5,5,PF	4,4,PF	-	7,7,NF	-
1985-86	5,5,PF	-	6,5,PF	1,2,F	7,7,NF	4,5,PF	4,4,PF	-	7,7,NF	-
1986-87	5,5,PF	-	6,5,PF	1,2,F	7,7,NF	4,5,PF	6,5,PF	-	7,7,NF	-
1987-88	5,5,PF	-	6,6,NF	1,2,F	7,7,NF	4,4,PF	6,5,PF	-	7,7,NF	-
1988-89	6,5,NF	-	6,6,NF	1,2,F	7,7,NF	2,3,F	6,5,PF	-	6,6,NF	-
1989-90	5,5,PF	-	6,6,NF	1,2,F	7,7,NF	2,3,F	6,4,PF	-	6,7,NF	-
1990-91	5,5,PF	-	6,6,NF	1,2,F	7,7,NF	2,3,F	7,7,NF	-	6,7,NF	-
1991-92	4,4,PF	5,4,PF	6,6,NF	1,2,F	7,7,NF	2,3,F	6,5,NF	5,4,PF	6,7,NF	2,3,F
1992-93	3,3,PF	5,5,PF	4,5,PF	1,2,F	7,7,NF	2,3,F	5,5,PF	4,2,PF	7,6,NF	3,3,PF
1993-94	4,4,PF	6,4,PF	5,6,NF	1,1,F	7,7,NF	2,2,F	5,5,PF	5,3,PF	7,6,NF	3,3,PF
1994-95	4,4,PF	6,5,NF	6,6,NF	1,1,F	7,7,NF	2,2,F	5,5,PF	4,3,PF	7,6,NF	3,2,F
1995-96	4,4,PF	6,5,NF	7,6,NF	1,1,F	7,7,NF	2,2,F	5,5,PF	4,4,PF	7,6,NF	2,2,F
1996-97	4,4,PF	6,5,NF	7,6,NF	1,1,F	7,7,NF	2,2,F	5,5,PF	4,4,PF	7,6,NF	2,2,F
1997-98	4,4,PF	6,5,NF	6,6,NF	1,1,F	7,7,NF	2,2,F	5,4,PF	4,4,PF	7,6,NF	1,2,F
1998-99	4,5,PF	6,5,NF	6,5,NF	1,1,F	7,7,NF	2,2,F	5,5,PF	5,5,PF	7,6,NF	1,2,F
1999-00	4,4,PF	6,5,NF	6,5,NF	1,1,F	7,7,NF	2,2,F	4,5,PF	5,5,PF	7,6,NF	1,2,F